PAPERS

RELATING TO

THE INTRODUCTION

OF

A GOLD CURRENCY INTO INDIA.

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From H. W. J. WOOD, ESQ., *Secy to the Bengal Chamber of Commerce, to Secy. to Govt. of India, Finl. Dept.,—dated* 25*th May* 1859.

The expediency of introducing a gold currency into India has been on several occasions under the consideration of the Chamber of Commerce, and their attention has been again directed to the question in a communication from the Calcutta Trade Association, as also by the native shroffs and merchants of Calcutta in a letter of which I beg to append a copy.

The Committee of the Chamber, after having maturely considered this important subject, have come to be of opinion that it is now desirable to introduce into this country gold as a subsidiary currency to the extent of two hundred Rupees, adopting the English sovereign, at a fixed rate relative to silver, as the circulating medium

I am directed by the Committee to solicit the favor of your bringing this matter to the notice of the Governor General in Council, in the hope that it will receive favorable consideration, and that a gold currency will be adopted, to the extent above suggested, with as little delay as possible

The Committee of the Chamber do not think it necessary to trouble you with the particular reasons on which their opinion is grounded; but if any objections should occur to the Governor General in Council to the adoption of the change which is now proposed, the Committee will be glad to know what these objections are, in case it may be in their power to remove them.

From BABOO SOORUT RAM ROY BHAN *and* 25 *others, Native Shroffs and Merchants of Calcutta, to President of the Chamber of Commerce,— dated April* 1859

We are given to understand that the Committee of the Chamber of Commerce have it in view to address the Supreme Government as to the expediency of introducing a gold currency into this country

The question is one of great and national importance and we the undersigned bankers and others, engaged extensively in mercantile pursuits, take the liberty of expressing to the Committee through you what our opinion upon this point is

We think that the time has arrived for Government to decide without delay in making gold a legal tender in this country The inconvenience of relying upon silver alone as the medium of circulation is already felt and this inconvenience will increase as the country increases in wealth and population and as roads, canals and railways open up the communications and the traffic with the interior

It is well known to every one that there is no paper currency in Bengal beyond the immediate neighbourhood of Calcutta, nor in the North Western Provinces and that in all the daily transactions great and small, which take place the payments have to be made in silver gold mohurs coined at the Calcutta Mint being no longer receivable in payment of revenue which they used to be before the Australian gold discoveries

The natives of India prefer gold to silver on account of its portability and of their being therefore able to hoard it in times of danger, so much more securely than a bulky article like silver In July and August 1857 when it was uncertain what turn the rebellion might take some of the natives in Calcutta drew their balances from the Banks sold or pledged their Government Securities, and with the money purchased gold, which they hoarded until after the fall of Delhi, when confidence in the re-establishment of the British Rule in the disturbed districts prevailed and when the parties who had so hoarded their gold re-sold it at a lower price than they had paid for it

Since the commencement of the mutiny, Government has not issued drafts in favor of Officers on its Up-country Treasuries and in consequence these Officers were necessitated, in order to pay their way to carry with them from 300 to 500 rupees weighing 7½ to 12½ lbs which was included in the regulation weight of a 100 lbs of baggage allowed

by Government to Officers proceeding by land carriage to join their Regiments, while if the money had been carried in gold, the weight would not be more than 1 to 2 lbs.

The continuous drain from Europe to the East for some years past has attracted much attention, and the flow this year is likely to be on a very large scale. In the mercantile intelligence received by the last mail, we observe that for the steamer of the 20th March, £300,000 of silver is to be shipped on account of the Indian Government, which is probably the first instalment of the loan for three millions which Lord Canning mentioned he had applied for to Lord Stanley The price paid for this silver is 5*s.* 2*d.*, and there seems to be difficulty in obtaining from the Continent the full amount of silver required The effect frequently is, to meet this demand for the East, a derangement of the exchanges and of the money markets of Europe, all of which would be avoided had we a gold currency in India, and there are many other advantages which would result from it, but to which it is unnecessary to call the special attention of gentlemen of the experience of the members of the Committee of the Chamber of Commerce.

Hoping that the application of the Committee to the Government on the above important question will be successful.

From H W J Wood, Esq , *Secy to the Bengal Chamber of Commerce, to Secy to Govt of India, Finl Dept ,—dated* 31*st May* 1859.

The second paragraph of my letter of the 25th instant concludes with the words "adopting the English sovereign at a fixed rate relative to silver as the circulating medium," and I am directed to alter that expression to the following—"recognizing the sovereign as the equivalent of ten rupees"

I have the honor to request you will be so good as to modify my letter accordingly.

From C Hugh Lushington, Esq , *Secy to Govt of India, Finl Dept , to Secy to the Bengal Chamber of Commerce,—No.* 4728, *dated* 11*th June* 1859

I am directed by the Right Hon'ble the Governor General in Council to acknowledge the receipt of your letter of the 25th ultimo, enclosing one in which the native shroffs and merchants of Calcutta have lately represented to the Chamber of Commerce that gold should be made a legal

tender in India, and expressing the opinion of the Chamber of Commerce that it is desirable to introduce gold as a subsidiary currency to the extent of two hundred rupees, adopting the English sovereign, at a fixed rate relative to silver, as a circulating medium.

2 I am also to acknowledge the receipt of your letter of the 31st ultimo, requesting that your previous letter may be modified by the substitution of the words "recognizing the sovereign as the equivalent of ten rupees" for the words "adopting the English sovereign at a fixed rate relative to silver as a circulating medium"

3 In reply I am to inform you that the Governor General in Council regrets that he is unable to meet the wishes of the Chamber of Commerce in this matter

4 However accurate might be the proportional value which might be given to a gold coin now as compared with the standard silver coin, there is a strong and growing probability that it would before long cease to be the true value, and, therefore that a law which should fix that value could not long be maintained unaltered without disturbing existing obligations between debtor and creditor The evil of passing such a law with the certainty that it would not be permanent, and with the probability that a change in it would become necessary at no distant time, is plain.

5 Besides this fundamental objection to the measure, there is another more immediate in its bearing upon the community To subject every person to whom any sum from ten rupees to two hundred rupees may be owing to receive payment of that sum or of the greater part of it in sovereigns, would be a severe hardship It would compel such persons before disbursing their money to have recourse to money changers, often under very disadvantageous circumstances, and with no escape from extortionate demands. The loss which is already suffered by those who have occasion to change silver for copper coin in the bazaars would be trifling compared with the loss and inconvenience to which they would be exposed when obliged to seek change for gold coins of the nominal value of ten rupees.

6 It will I am to observe, be clear to the Chamber of Commerce that the law as it exists in England furnishes no parallel to the measure which is now proposed

7. In a country in which gold is the standard, but where silver is indispensably necessary to express sums which cannot be expressed in gold, the establishment of a subsidiary silver currency which shall be legal tender to the extent of forty shillings is a measure convenient to all, but in a country in which silver is the standard, the introduction of gold as a subsidiary currency, and as a legal tender to the extent of ten times the above-named amount, is a very different measure. The convenience of it would be limited to a number comparatively small, the inconvenience and loss resulting from it, by the payment of small sums in gold at a rate which, though legal, might be above the market rate, would extend to large and not wealthy classes It is needless to say that in the event, in either case, of a depreciation of the metal of which the subsidiary currency is formed, the disturbance will be greatest where that currency has been made a legal tender for the largest amount.

8. Furthermore, I am to remind you that the right of paying in gold is one which, if it be given to the public, must also be used by the Government. The Treasury could not receive sovereigns at a fixed rate without re-issuing them at the same rate It would, therefore, soon become necessary to pay some part of the interest on public securities in that coin But the bargain of the State with its creditors has been made in silver, and if gold be paid to them in place of silver at a rate higher than the market value of gold, the creditors will have cause to impugn the good faith of the Government. The Governor General in Council cannot consent to a measure which would lead to such a consequence.

9. After giving a respectful consideration to the scheme which the Chamber of Commerce has recommended, the Governor General in Council is satisfied that, so far as money transactions within the wide limit of two hundred rupees are concerned, it is open to nearly all the objections which have been generally, and, as His Excellency believes, rightly, urged against a double standard And His Excellency regrets that he is quite unable to concur in the opinion of the Chamber of Commerce that the present time is one at which it is desirable to introduce the measure suggested. It appears to the Governor General in Council that there never has been a time when it would be so little wise or just to force by law a gold currency (even though restricted to the extent proposed) upon a country where the standard is silver.

10 Against these reasons for not adopting the course recommended by the Chamber of Commerce, there are to be set the reasons adduced in favor of that course in the letter from the native shroffs and merchants which you have transmitted with the recommendation

These reasons are—

Firstly, the greater convenience of those who have occasion to remit or carry money from place to place, and the preference given by natives to gold on account of facility in hoarding it and, secondly, the diminution of difficulty in obtaining silver from England and of derangement in the money markets of Europe.

11 As regards the first the Governor General in Council does not under rate the advantage to the community of making money portable. His Excellency considers that it furnishes a good reason for coining gold, and for placing gold money within reach of the public to be used at their option —and this the Government of India already does —but that it would by no means justify the Government in making the hopeless attempt to fix the value of the gold coin by law, and in compelling the acceptance of it at that value The fact that gold is easily hoarded is one which may properly be taken into account in estimating the amount of gold coin which should be supplied to the country but, in the opinion of the Governor General in Council it cannot be represented seriously as a ground for making gold a legal tender

12 As regards the second reason the Governor General in Council does not admit that the evils which the writers of the letter describe, and which, they assume, would be diminished by the measure proposed, are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself The price paid for the silver lately sent from England—*5s 2d* an ounce—is in the opinion of the Governor General in Council, no sufficient evidence of this

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From H W J WOOD, ESQ, *Secy to the Bengal Chamber of Commerce, to Secy to Govt of India Finl Dept,—dated* 25*th July* 1859

I am directed by the Committee of the Bengal Chamber of Commerce to acknowledge the receipt of your letter No 4728 of 11th ultimo in reply to my letters of the 25th and 31st May suggesting by direction of the Committee, for the consideration of the Right

Hon'ble the Governor General in Council, the expediency of introducing a gold currency into India, by making the English sovereign the equivalent of ten rupees, and to the extent of twenty sovereigns, or two hundred Rupees, a legal tender,—a proposal to which, for the reasons stated in your letter, the Governor General in Council regrets that he is unable to give his concurrence But as these reasons do not appear to the Committee of the Chamber to be well founded, I am directed by them to communicate to you, for His Lordship's information, some of the grounds on which they have taken the liberty of coming to a different conclusion. In doing this, the best way for me will be to reply to your letter paragraph by paragraph

Paragraphs 1 and 2 acknowledge my letters of the above date.

Paragraph 3 expresses the regret of the Governor General that His Lordship is unable to comply with the wishes of the Chamber in this matter.

Paragraph 4 is as follows .—

"4. However accurate might be the proportional value which might be given to a gold coin now as compared with the standard silver coin, there is a strong and growing probability that it would, before long, cease to be the true value, and, therefore, that a law which should fix that value could not long be maintained unaltered, without disturbing existing obligations between debtor and creditor.

"The evil of passing such a law with the certainty that it would not be permanent, and with the probability that a change in it would become necessary at no distant time, is plain"

The Committee of the Chamber take it for granted that the Governor General admits the English sovereign, as compared with the standard silver coin, to be of the value of ten rupees, of which, indeed, there can be no doubt, because sovereigns sell readily in any quantity, at present, for ten rupees and six annas each But His Lordship objects that "there is a strong and growing probability that it would before long cease to be the true value." The Committee of the Chamber are aware that the same views find several able supporters among the many writers on the currency The speculations of these writers came out strongly with the discovery of the Californian mines, and their prophecies as to the probable fall in the value of gold and the evils to arise therefrom, were repeated with still greater confidence when the gold discoveries in Australia were made, and they have been reiterated by the same theorists ever since, year after

year, with undiminished confidence. But what are the facts? Since the discovery of gold in California and Australia, *it is estimated that* nearly forty millions of gold have been added, yearly, to the stock of gold in the world, and this, as the currency theorists themselves admit, without any depreciation in the value of gold, which, relative to silver, here and in the markets of Europe, continues to be what it was before the date of the recent gold discoveries. The Committee of the Chamber do not believe that the small change in the currency which they proposed will, in the least, disturb the obligations between debtor and creditor Previous to the discovery of California the circulating medium of France and America was composed of silver and paper money, but the gold discoveries were taken advantage of in both countries In America the mints immediately coined gold double-eagles, eagles, half-eagles, quarter-eagles, and dollars, as a legal tender for the amounts they indicated and in France the mints became very active in coining double-Napoleons Napoleons half Napoleons, and quarter Napoleons as a legal tender, for 40, 20, 10, and 5 francs of the silver standard. In both countries, and more especially in America, the result has been the displacement of a good deal of spurious paper currency, and of the greater portion of the silver of which the metallic currency almost entirely consisted. This increase in the gold currency, or to the circulating medium, of the two nations, was appreciated as of great benefit nor has it been productive of any injurious effect on the contracts between debtor and creditor The French nation apparently even now does not apprehend any mischief from having a double standard judging from the alacrity with which the public loans were taken up the other day by all classes of the people Nor has India failed to derive benefit from these gold discoveries which have had the effect of liberating from America and France the large quantities of silver which have since then been flowing to the East to adjust with India and China the balance of trade The total shipments of silver to the East since 1851, to the end of 1857 were nearly fifty seven millions, or on an average of each year in excess of the estimated yearly production of all the silver mines in the world the shipments from Great Britain and the Mediterranean in 1856 being £14 100 000 and in 1857 £20 146 000 The change in the precious metals has always been so slow as to be scarcely perceptible The relative value of gold to silver varies at the same moment in different countries and in the same country at different times, being influenced by the standard the supply, and the state of the exchanges The Committee of the Chamber

conceive that, were the very trifling change which they propose now acted upon, no alteration in the value of gold coin would at any future time be necessary; but should it be, there can be no difficulty in adjusting the relative proportions. The convenience and benefit to the public will far outweigh this trouble to the Government.

"5. Besides this fundamental objection to the measure, there is another more immediate in its bearing upon the community. To subject every person to whom any sum from ten rupees to two hundred rupees may be owing, to receive payment of that sum, or of the greater part of it in sovereigns, would be a severe hardship. It would compel such persons, before disbursing their money, to have recourse to money-changers, often under very disadvantageous circumstances, and with no escape from extortionate demands The loss which is already suffered by those who have occasion to change silver for copper coin in the bazaars, would be trifling compared with the loss and inconvenience to which they would be exposed when obliged to seek change for gold coins of the nominal value of ten rupees."

The objection taken in this paragraph the Committee of the Chamber conceive to be greatly exaggerated. It is founded on what they believe will practically be found to be the exception to the rule. It assumes that all those to whom sovereigns are paid will at once go with them to the money-changers, who would of course make a charge for giving silver rupees in exchange; but which, however, would be done for a much smaller charge or batta—something less than one-half the batta exacted for changing copper for silver coin. Sovereigns in ordinary transactions would pass from the buyer to the seller in exchange for commodities, and should the value of the latter fall short of the value of the sovereign, the balance or difference would be paid back by the seller to the buyer without any such charge. The native bankers or shroffs and the dealers who have to keep a reserve of money, which at present they do in silver, would only be too glad to substitute sovereigns for bulky silver rupees.

"6. It will, I am to observe, be clear to the Chamber of Commerce that the law, as it exists in England, furnishes no parallel to the measure which is now proposed

"7 In a country in which gold is the standard, but where silver

It is admitted that the standard in England being gold, and the standard in India being silver, there can be no exact parallel between the two cases, but that can form no good reason for not adopting what is now proposed Of the

is indispensably necessary to express sums which cannot be expressed in gold, the establishment of a subsidiary silver currency, which shall be legal tender to the extent of forty shillings, is a measure convenient to all but in a country in which silver is the standard, the introduction of gold as a subsidiary currency and as a legal tender to the extent of ten times the above named amount, is a very different measure The convenience of it would be limited to a number comparatively small the inconvenience and loss resulting from it by the payment of small sums in gold at a rate which, though legal might be above the market rate, would extend to large and not wealthy classes It is needless to say that, in the event, in either case of a depreciation of the metal of which the subsidiary currency is formed the disturbance will be greatest where that currency has been made a legal tender for the largest amount."

convenience of the measure, there can be no doubt to all who prefer carrying 20 sovereigns to 200 rupees in their pockets. The fact that gold is not the standard of value, can form no ground for excluding it entirely as a subsidiary currency which is the only way as long as we have the silver standard, in which gold can be introduced into this country The inconvenience and loss contemplated will, it is thought, prove to be imaginary, as will also the idea that payment in gold will not extend to the large and wealthy classes who in the opinion of the Committee, will be the very first to avail themselves of the advantages of a gold in comparison with a silver coinage. So long as the sovereign is declared a legal tender for ten rupees, it will pass current for ten rupees, and have the same purchasing power as ten rupees in silver The buyer and seller seem indifferent to the rise or depreciation in the market value of the metal of which the subsidiary currency is composed Sixteen annas or one rupee of copper coin have the same purchasing power as a rupee of silver, although the sixteen annas of copper, according to the market value of copper, are not worth more than seven to eight annas of silver In the same way a shilling of silver, or twelve pence of copper, although the former is 10 per cent., and the latter 40 per cent. less, in intrinsic value than the twentieth part of the gold sovereign have the same purchasing power and pass from one hand to another, at their nominal value, without any regard or inquiry as to the rise or fall in the market value of the metals of which the coins are composed.

"8 Furthermore, I am to remind you that the right of paying

The Committee of the Chamber beg of you to assure His Excellency

in gold is one which, if it be given to the public, must also be used by the Government The treasury could not receive sovereigns at a fixed rate without re-issuing them at the same rate It would, therefore, soon become necessary to pay some part of the interest on public securities in that coin. But the bargain of the State with its creditors has been made in silver; and if gold be paid to them in place of silver at a rate higher than the market value of gold, the creditors will have cause to impugn the good faith of the Government The Governor General in Council cannot consent to a measure which would lead to such a consequence "

the Governor General in Council that they are quite as unwilling to suggest, as His Lordship can be to carry out any measure which they have any conception would be likely to afford to the public creditors any good grounds for impugning the good faith of the Government, being conscious that a sacred regard for the great rules of property on the part of Governments is the foundation on which all private as well as public or political security rests And accordingly Governments have found out the expediency of preserving the standard of money inviolate, and that their ultimate interest, as well as the interest of the public, is best consulted by abstaining from doing any act either to increase or to depreciate the value of money Within this wholesome category the public creditor is entitled to include all the obligations of the State, and to consider that any steps taken by the Government in the knowledge that these will have the effect of depreciating its own securities, is as great a breach of the good faith of the Government towards the public creditor as debasing the value of the coin in which the debt or obligation so depreciated is, at some very distant day, if ever, ultimately discharged There can be no doubt that, in the event of the measure proposed being adopted, Government will be as much entitled to pay away to each individual to the extent of 20 sovereigns or 200 rupees in gold as it will be bound to receive them. These small payments, however, from and to individuals, will be but an infinitesimal fraction of the crores of rupees which pass into and out of the Government treasuries in the course of the year The public creditors can have no more cause to impugn the Government for paying them in sovereigns to a limited extent, than the public of India have a right to complain of being compelled to take sixteen annas of copper at a rate higher than the market value of copper, or than the public of England have a right to complain of their being compelled to take forty shillings

of silver as a legal tender, at a rate higher than the market value of silver at the time It is said that the bargain of the State with the creditor having been made in silver it would be unjust to pay him in gold, if the value of gold happened to be less than the value of silver at the moment of payment. But suppose that the value of silver happened to be less than the value of gold, which is not an impossible case, the gain would then be to the creditor, whose interest chiefly the Government professes to care for in the contract But all injustice in this respect may be obviated by Government's agreeing if it desires it, to pay its debts not according to the value of the rupee at the date of payment but according to its value when the debt was contracted or if paid in gold, by paying the creditor a sum which after a comparison of the course of the value of the two metals shall at the time of payment, be the commercial equivalent of the silver rupee in which the debt was contracted The objections in this paragraph are only applicable to a double standard—when the debtor has it in his option to discharge his debt in gold or in silver, as may suit his convenience they are of little or no force when directed against a subsidiary currency for limited payments. The Committee of the Chamber venture to state that if the consent of the public creditors were asked to receive payment not only of the future interest but of the principal of all the loans in gold sovereigns at the equivalent of 10 silver rupees for each sovereign, there is not a single creditor who would withhold his consent from such a proposal.

"9 After giving a respectful consideration to the scheme which the Chamber of Commerce has recommended, the Governor General in Council is satisfied that, so far as money transactions within the wide limit of two hundred rupees are concerned it is open to nearly all the objections which have been generally, and, as His Excellency believes, rightly urged against a double standard. And His Excellency regrets that he is quite unable to concur in the opinion of the Chamber of Commerce, that the

The limit to a payment of 20 sovereigns or 200 rupees of gold as a legal tender, the Committee respectfully think, brings the proposed change out of the category of a double standard, and therefore the objections (not specified) which His Excellency the Governor General believes to have been generally and rightly urged to a double standard, do not apply to this case. They might as reasonably be urged against forty shillings of silver being made a legal tender in England the only difference being

present time is one at which it is desirable to introduce the measure suggested. It appears to the Governor General in Council that there never has been a time when it would be so little wise or just to force by law a gold currency (even though restricted to the extent proposed) upon a country where the standard is silver"

one of amount—the difference between £2 and £20 The Committee of the Chamber, with much deference to His Lordship, continue to think that the present is a most fitting time for the introduction of the measure suggested Of the silver importations into India, a very large amount is hoarded and converted into ornaments, and what of the silver is not so absorbed, converted into coin, is not found to be more than sufficient to perform, as a circulating medium, the business of the country. The Indian currency out of the Presidency towns being purely metallic, very large importations will require to be continued from year to year to meet the currency demand. A decrease or deficiency in the circulating medium would be severely felt by all classes, and by none more than by the Government itself. The wealth of India is gradually increasing, new markets are opening out, and an incalculable impetus will be given to our trade and commerce as railways bring the towns of the interior nearer to the seaports With this expansion, a larger supply than before of the circulating medium will be necessary The new markets yearly opening up all over in the East, such as China, Japan, &c, will continue to absorb an increasing quantity of the precious metals, the value of the produce they export will be much in excess of the value of the manufactures of Europe and America which they import, and the balance of trade must be adjusted by shipments of the precious metals. Looking to the vast and increasing area over which silver will have to perform the functions of the circulating medium, and to the probability that India will receive in future less quantity of silver than her wants require, the Committee of the Chamber consider it to be a duty to impress earnestly upon His Excellency the Governor General in Council the wisdom of timeously adopting gold into the Indian currency to the modified extent which has been proposed.

"10. Against these reasons for not adopting the course recommended by the Chamber of Commerce, there are to be set the reasons adduced in favor of that course in the letter from the native shroffs

The letter of the native shroffs and merchants is important as showing the feeling of the two classes of natives most competent to form an opinion upon the subject. They are entirely in favour

and merchants which you have transmitted with the recommendation

"These reasons are—

"Firstly, the greater convenience of those who have occasion to remit or carry money from place to place, and the preference given by natives to gold on account of facility in hoarding it and, secondly the diminution of difficulty in obtaining silver from England, and of derangement in the money markets of Europe

"11 As regards the first, the Governor General in Council does not under rate the advantage to the community of making money portable His Excellency considers that it furnishes a good reason for coining gold and for placing gold money within reach of the public, to be used at their option —and this the Government of India already does —but that it would by no means justify the Government in making the hopeless attempt to fix the value of the gold coin by law and in compelling the acceptance of it at that value

of gold as a currency, and it was a currency in India long before the British had a footing in it. They lay stress upon the *portability* of gold as compared with silver as one of the reasons for now introducing the former into the Indian currency, and this is a point on which the native shroffs and merchants who signed the letter to the President of the Chamber can speak from practical experience Some of them have agencies and dealings all over India, and there being no paper currency they are necessarily compelled to keep large reserves of rupees in silver the trouble and expense of moving bulky sums of money from place to place is very serious Many shroffs are obliged to hold sums varying from £50 000 to £100 000 in silver the weight of the former sum being 5¾ tons, and of the latter sum 11½ tons The same amounts if held in sovereigns would be cwts 7¾ and cwts. 15½ respectively? The Bank of Bengal when it comes to have nearly two millions of silver, can scarcely find room for it in its spacious vaults and to the native bankers whose places of business are so very confined, the large space which silver occupies is exceedingly inconvenient. The advantage on this account of a gold currency would by them, be fully appreciated. The Governor General, sensible of this advantage, considers it a good reason "for coining gold, and for placing gold money within reach of the public to be used at their option,—and this the Government of India already does' There is no gold money which is a legal tender, and until the creditor is obliged to receive a gold coin in payment from his debtor it cannot be used at

his option—it is not money in the ordinary acceptation of the word. It is true that under Act XVIII of 1835 it was enacted that a gold mohur is of the weight of 180 grains, of the standard of 165 grains of pure gold to 15 grains of alloy—a five-rupee piece equal to a third of a gold mohur—a ten-rupee piece equal to two-thirds of a gold mohur, and a thirty-rupee piece or a double gold mohur all of the above standard. The same act enacted "that no gold coin shall henceforward be a legal tender in any of the territories of the East India Company" But subsequently it was declared that, on and after 11th November 1840, officers in charge of public treasuries were to receive these gold coins as a legal tender without any limit, and gold mohurs therefore came to be freely coined, and received by Government at their treasuries all over India. After the Californian and Australian gold discoveries, the above order was, for some reason or other, withdrawn, much to the inconvenience of such of the public as happened to have gold mohurs in their possession, but being no longer a legal tender, or a currency at the treasuries, gold mohurs were no better than so much gold at its market value—the coinage stamping its weight and purity merely. Gold mohurs after the above prohibitory order could no longer be called money in India, any more than a piece of lead or copper, or of any other metal, or commodity of the same value, in the market can be called money. The Governor General considers that although it is a good reason for coining gold, the portability of it "would by no means justify the hopeless attempt to fix the value of the gold coin by law and in compelling the acceptance of it at the value." The Government, when it ordered the gold mohur to be received at its treasuries on and after 11th November 1840, did fix the value of the gold coin which it now considers it would be hopeless to attempt to do Nor is there any more hopelessnesss, nor any greater hardship, in compelling the acceptance by the Indian public of sovereigns to a limited amount, at a fixed value, than in compelling them to take sixteen annas of copper as equal to a silver rupee, or in compelling the English community to receive forty shillings of silver as of the same value as two gold sovereigns.

"The fact that gold is easily hoarded is one which may properly be taken into account in estimating the amount of gold coin which should be supplied to the country, but in the opinion of the

In the remarks contained in this paragraph, the Committee of the Chamber beg to concur, nor do they believe that when the native merchants and shroffs noticed in their letter, as a fact, that the

Governor General in Council it cannot be represented seriously as a ground for making gold a legal tender"

natives of India prefer gold to silver, on account of its being so much more easily hoarded than silver, it was meant to be represented seriously by them as a ground for making gold a legal tender They know that a very large amount of the current silver coin is yearly hoarded, and they supposed it to be in every way advantageous that there should be a sufficient amount of gold coin available for hoarding, so as to liberate the silver coin so taken out of circulation, for the purpose of its being again made use of in the daily dealings of the poorer classes

"12 As regards the second reason, the Governor General in Council does not admit that the evils which the writers of the letter describe and which, they assume, would be diminished by the measure proposed, are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself The price paid for the silver lately sent from England—5*s* 2*d* an ounce—is, in the opinion of the Governor General in Council, no sufficient evidence of this."

In their letter the native shroffs and merchants noticed the extraordinary and continuous flow of silver from Europe to the East for several years past, the difficulty experienced in obtaining all the silver necessary to keep up the supply for this purpose and the frequent derangement observable in the exchanges and the money markets of Europe attributable to the withdrawal from the Continent of such large sums of silver and to the transmission thither of gold from England to pay for it In their opinion the evils alluded to would be diminished or avoided were there a gold currency in India because gold sovereigns would then be shipped at much less cost to the shipper than silver which has in consequence of this demand risen some three to four per cent. in price. The Governor General does not admit that the evils in question are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself The native shroffs and merchants believe (and the Committee of the Chamber concur with them) that the proposed measure if adopted will prove to be the very reverse of embarrassing and hurtful to India and to England, and the other countries with which she now carries on such an important trade It would greatly facilitate the exchanges between India and

those countries, and the adjustment of the heavy balance of trade always in her favour to the advantage of all concerned, a consideration of importance, and by no means to be overlooked by those to whom the Government of India is entrusted in estimating what is best calculated to promote her progress as a commercial nation.

In estimating the advantages of gold as compared with a silver coinage, the native shroffs and merchants have omitted the greater durability of gold and the less tear and wear, and therefore the greater economy of the gold in comparison with the silver coin, the wear and tear of gold being estimated at one-tenth, and of silver at one-third per cent. per annum.

The Committee of the Chamber, in suggesting for the consideration of His Excellency the Governor General in Council the expediency of adopting gold as a legal tender to the amount of 20 sovereigns or 200 rupees, fixed that limit in the expectation that being so very moderate a change, His Lordship was not likely to meet it with any serious objection They would have suggested a much more extensive alteration if there seemed any probability of its being entertained—the views of the Committee of the Chamber being in favour of adopting gold as a standard in place of silver, and of making silver and copper ancillary to gold, in the same proportion as in the currency of Great Britain The adoption of the English standard, they are persuaded, would, in the course of time, result as beneficially for India as upwards of forty years' experience has proved it to have done for England, who effected the change in her standard in 1816, after having contracted upwards of 800 millions of her debt, while India's obligations to her creditors do not at present amount to more than 100 millions, chiefly of recent contraction

In conclusion the Committee of the Chamber direct me to state that they feel so satisfied of the benefits that will be sure to result from the admission of gold, even as a subsidiary currency, into India, that they will be thankful if the Governor General in Council will be pleased, as an experiment, to sanction gold as a legal tender to any smaller amount than 20 sovereigns, down to 2 sovereigns as a minimum

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Financial Despatch from the RIGHT HON'BLE SIR CHARLES WOOD, BART, G. C. B., *Secy of State for India in Council, to His Excellency the Right Hon'ble the Governor General of India in Council,—No* 109, *dated 4th November* 1859

The question of the introduction of a Government paper currency for India, which forms the subject of your despatch dated the 27th April 1859, No 61, has received from Her Majesty's Government the consideration due to its importance.

2 In the Memorandum which accompanied your despatch, your Financial Secretary suggests the issue of local Notes by Government, the same to be receivable at the option of the public, and to be convertible at a few large treasuries, conveniently situated in circles of country from 300 to 400 miles in diameter the lowest denomination of such notes to be 10 rupees

3 You, however consider that, although such a measure would certainly be productive of some advantage and would prove convenient both to the public and the Government, it is nevertheless open to serious risk and that there is at present an objection to the scheme on the ground that it would be unwise to introduce it while the security of the Indian Government is still regarded with some degree of mistrust by the Indian community

4 Her Majesty's Government are fully sensible of the advantage which might be derived from introducing a well regulated paper currency into India, but the wisdom of cautiously avoiding any measure calculated however slightly, further to increase the sensitiveness of the Indian money market is so manifest, that they are not disposed at present to direct the introduction of a paper currency, whether in the form of Government Notes or by means of extended privileges to the chartered Banks. I am, however, anxious that your attention should continue to be directed to this subject and I shall be prepared to give every encouragement to a well considered measure for the purpose, whenever the time shall appear to you to have arrived for introducing it.

5 As being intimately connected with this question, the advantage of giving to the "sovereign currency in India, at a rate to be fixed from time to time by Government, has also been under consideration. At the present time the gold mohur, or 15 rupee piece, is not receivable

at the Government treasuries, its receipt having been prohibited by a Notification dated 22nd December 1852, when it was found that the mohur would not circulate at the prescribed rate of 15 rupees, but was freely returned to Government to be exchanged for silver, and an apprehension was entertained that the Government treasuries might be overloaded with gold.

6. A similar result might, in certain cases, arise from the circulation of the "sovereign" at a fixed rate, and as there is considerable difficulty in adopting any measure which has been suggested for the purpose of giving currency to gold coins, Her Majesty's Government refrain from issuing any directions on the subject, until it shall have been further considered by your Government.

Minute by the RIGHT HON'BLE JAMES WILSON, *dated 25th December* 1859.

1 In the Financial Despatch, No. 109, dated the 4th of November 1859, from the Secretary of State, upon the subject of a paper currency for India, the consideration of the Indian Government is invited to the question which has recently been much discussed, of introducing the English sovereign, or some other gold coin, into the circulation of India, as being one intimately connected with that of a paper currency.

2 The discoveries of gold of late years, and its diminishing price in relation to silver, added to the great demand which has latterly existed for the latter metal for shipment from England to India and China, have combined to create a strong public feeling in favour of making use of gold, in some form or other, as part of the circulating medium of India.

3. No one will be inclined to deny that if we had to begin a system of currency *de novo*, the most convenient of all the various systems now in practice would be found to be that used in England, where gold is the standard, gold coin the general money in circulation, and silver tokens of limited tender the subordinate coins.

4 But we have to deal with a long-established standard of silver in India, in which liabilities to a large amount, in the shape of public debt and obligations of varied character, running over a long series of years, have been incurred in silver For it must be borne in mind that a contract to pay a given sum of money is nothing more or less than a contract to deliver a given weight of that metal which is the standard at the time the contract is made, and that to alter or vary the standard, and to adopt another metal because it is cheaper, is simply to enable the debtor to break faith with the creditor It is true that the metal in which a debt has been contracted may fall in value by a large increase in its quantity but that is a risk which the creditor runs, and of which he has no right to complain In like manner the metal may rise in value, but that is a risk which the debtor incurs when he enters into the transaction and of which, therefore, he has no right to complain. If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day however much wheat may have fallen in price in the mean time, the receiver has no right to complain, any more than the deliverer would have had it in the mean time risen as much in price But if the person whose duty it was to deliver wheat finding that it had risen much in price since the contract was made sought to deliver barley or some other grain which in the mean time had become relatively cheaper the injustice of such an attempt would be patent. But it would be equally unjust, after a contract had been made in a silver standard to change the standard into gold because it was becoming more plentiful, and in relation to silver, likely to become cheaper

5 Since the first discovery of California, this subject has been much forced into discussion owing to the various ways in which a great and sudden increase in the supply of gold was likely to affect various countries The first impression was that a great fall would take place in the price of gold as measured in silver Up to this time, however, the change in the relative value of these two metals does not at the outside exceed five per cent. Before the gold discoveries silver was rarely so low as 4*s* 11*d* the ounce Since, it has seldom reached, or at least exceeded 5*s* 2*d* the ounce. But under the apprehension of a fall the Government of Holland, proverbial for its caution was the first to take alarm, and having then a circulation of both gold coins and silver coins, which were a legal tender at a fixed relation to each other, they demonetised the gold coin, leaving silver, the ancient standard, the only legal tender

6. In Belgium a similar state of things existed Their standard and chief coins were silver, but they had, chiefly for the convenience of travellers, attached a fixed rate to the gold coins of England and France, and had coined 20-franc pieces of their own. They followed the example of Holland, demonetised gold, and fell back upon the single silver standard and coin.

7. In India, coins both of gold and silver were in partial circulation. The mint proportion which those coins bore to each other was, that of 15 153 of fine silver to 1 of gold. The gold coin was not, however, a legal tender; but as the intrinsic value of the gold coin in the market was at least equal to the silver rupees which it represented, there was no difficulty in passing them, and the Government accepted them in the public treasuries at the nominal rate at which they were coined, but as soon as the price of gold began to fall, and the gold mohur piece was no longer of the same value as 15 silver rupees, it was evident, if the Government continued to receive them into the treasuries, without the power of paying them out at the same rate, that a great accumulation of gold pieces would have taken place, which the Government could not use as money, and upon which in the sale it must have lost considerably To avoid this the Government had the choice of two plans; the one to reduce proportionately the rate at which the gold coins would be received, so as still to leave a margin for loss, the other to prohibit the receipt of gold coins altogether, and to accept only the legal tender coins of silver. They adopted the latter

8 In the United States at that time they had a double standard of gold and silver, and coins of each metal; but as silver became dearer in proportion to gold, it was shipped away to so great an extent as to lead to great inconvenience for the want of small coins, the place of which could not be supplied with gold In 1853, therefore, the American Government had recourse to the plan of reducing the weight of the silver coins (the dollar being reduced from 412½ grains to 384 grains of silver), so as to make them tokens, like the English silver coins, limiting their tender to five dollars, and thus adopting a single standard of gold.

9 In France a double standard had prevailed, at least since the decree of Napoleon the First in 1801 By that decree the relative value of gold and silver was fixed in the proportion of 1 to 15½, but as 6 francs are retained at the mint for coining a kilogramme of gold into 155 pieces of 20 francs each, and 1½ francs are retained for coining a

killogramme of silver into 40 pieces of 5 francs each, the proportionate value of the two metals as coined is, 1 of gold to 15 64, rather above 15½ of silver

10 From 1801 to 1850 the market price of gold had always a tendency to rise, and, being more valuable in proportion to silver than the rate fixed by the decree of Napoleon, disappeared altogether from circulation, and commanded a premium Silver consequently became the only actual circulation Since the gold discoveries the price of gold has fallen somewhat below the fixed rates, and in consequence, since 1850, a sum equal to one hundred and thirty millions sterling of gold has been coined at the French mint, and a corresponding amount of silver has been exported. For many years prior to 1850, little or no gold had been coined This has led to a daily increasing scarcity of small coin, and to great inconvenience as a consequence and it is quite certain, if the price of silver continues to rise, that the French Government must resort to some such plan as has already been adopted in the United States, in order to maintain in circulation silver coins for inferior denominations. Indeed it is chiefly the fact that a large portion of the silver coin now in circulation in France has become considerably reduced below their full value by wear that has prevented their being exported

11 In all the German States in which formerly gold coins circulated at fixed rates they have been demonetised and under a convention made in 1857, to which I shall have further to allude hereafter, silver has been reverted to as the sole standard.

12 From these examples it would appear that wherever the integrity of the single standard had been in any degree departed from, the small change in the relative prices of the metals which has taken place, not exceeding, as I have shown, five per cent., has immediately led to inconvenience and to an alteration in practice which in the matter of the money of a country is always to be deprecated In England, fortunately, the single standard has not been tampered with, and it is accordingly, almost the only country in which no change whatever has been made in consequence of the gold discoveries. No doubt there were at first not wanting those who, being owners of the public stocks or recipients of fixed incomes, endeavoured to create a feeling in favor of some change in order to avoid the depreciation in their property which they apprehended from the reduced value of gold. But they were at

once reminded that all contracts were made in gold, and that, whether gold rose or fell in value, the contract as between debtor and creditor must be maintained.

13. With all this experience before us, we are called upon to consider how far it would be wise again to tamper with the principle of a single standard in India, by admitting gold coins into the circulation under some assumed regulation which would avoid inconvenience.

14. I at once say that I know of no conceivable regulations by which such an object could honestly be attained. But I am willing to consider all the various proposals which have been made for that purpose. These may be divided into five heads First—Some propose the "sovereign," or some other gold coin, should be introduced, and which should circulate at its market price from day to day, measured in silver. Second—Others propose that such a gold coin should be made, bearing the exact value of a given number of rupees, say 10, and that it should be made a legal tender for that sum for a limited period, say a year, when it should be re-adjusted, and again valued, and made a legal tender for a further similar period at the new rate Third—Some propose that the English sovereign should be introduced as a legal tender for 10 rupees, but limited in amount to 20 rupees or 2 sovereigns Fourth—Some propose to preserve a single standard, but to change it from silver to gold, adopting silver tokens for subordinate coins. Fifth—Some propose the simple adoption of a double standard of silver and gold, which all the others repudiate.

15. As applicable to most of these schemes, I may remark, that the chief object of a coin is that it shall represent a defined and fixed value well known to the simplest of the people When it is deprived of this quality, it is reduced to the mere condition of a commodity which is to be bought and sold at rates varying with the fluctuations of the market. The true attribute of the coin is thus given.

16 This remark applies with great force to the first-mentioned of the four plans, for supplementing the Indian currency with gold coins. And if we consider what the practical effect would be, the proposal must be dismissed as wholly impracticable. Let a gold piece be coined to-day, representing the exact value in gold of 10 rupees, to-morrow the price of gold, either from a change in its intrinsic value, or from an alteration in the exchanges with England, where it is the sole standard, rises to Rs 10-4, next day it rises to Rs 10-8, in a day or two more, an importation having taken place from Australia, it falls

to Rs. 9 12, and then to Rs. 9 8, and so on, being influenced by all the accidents from day to day which determine the price of gold expressed in silver

17 These fluctuations moreover, may not only take place from day to day, but even during the same day It would be impossible that such coins could answer the place of money The Cambists and money dealers could, no doubt buy and sell and deal in such coins, just as they do now, in the metal itself, but except the fact that the quantity and quality of the metal would be ascertained without weighing or assaying, they could just as easily deal in and buy and sell gold bars. To call a coin "money, the value of which could not be vouched for from one day to another, to say nothing of the trouble of ascertaining and computing the fluctuations, would be a mere misnomer, and it is certain that no community would suffer the risk and inconvenience of such a system that could possibly avoid it.

18 The second plan proposed, though not open to the same objections, is still open to others almost as grave. A gold coin is to be made the exact value of 10 rupees it is by law to be declared a legal tender for that sum for a year or some specific period of time both in the hands of the Government and the public. During that period the price of gold, measured in silver is continually falling a profit is gained by the bullion-dealers by importing gold, getting it coined, and forcing it into circulation at the fixed periodical rate. As the year draws to a close when it is known that the rate will be revised and the circulating value of the coin reduced in conformity with the fall of gold, every one makes an effort to get rid of the gold coin —a struggle takes place in which the public exchequer takes a prominent part for every one to divest himself of gold coins, and thus to avoid an inevitable loss But on some one it must fall and there could not but be great dissatisfaction in the public to find, on a given day, the value of a large quantity of the coin in its possession, which they had no choice to refuse, depreciated by two, three, or four per cent.

19 When the monetary convention was entered into between the Austrian Government and the States of the Zollverein in 1857, with a view to obtain a uniform and general currency, silver was adopted as the existing standard; but as some States were anxious to retain a right of coining gold, after the greatest consideration, no better plan could be devised than this most imperfect one But the difficulty of giving

a fixed value was found to be so great, that Article XVIII of the treaty declares that "the silver value of the conventional gold coins "will be alone regulated by the relation of the supply to the demand, "and they will, therefore, not possess the property of representing an "amount of legal silver coinage as a medium of payment." But it is further provided by Article XXI, "that each State is to be at liberty "to allow such gold coins to be taken at their treasuries, in lieu of silver, "at a rate of exchange to be beforehand decided upon Such pre-"decided rate of exchange shall last, at the utmost, six months, and at the "close of the last month is to be each time reconsidered for the next "similar period."

20 As far as I can learn, and as might have been expected, a system of gold currency so imperfect and exposed to such uncertainty has practically remained a dead letter. To show the opinion which the parties to the convention entertained of the plan, they took care, in Article XXII, to stipulate that all paper money issued by the State should be solely for silver, and payable in that metal I may conclude, then, that it would not be thought desirable to adopt this plan.

21. The next and third proposal is to permit the circulation of the sovereign to a limited amount, say of 20 rupees This idea seems to have originated in the system adopted in England of giving to the silver coins the character of tokens, not of full value, and limiting the amount of tender But it must be borne in mind, that while this can be done with the low-priced metal, which represents small transactions, it cannot be done with the high-priced metal, the chief object of which is to represent large payments. The objections to the plan may be thus stated as long as gold was of a value above the ratio which the coin represented, it would not be circulated at all, but when it fell below that value, every effort would be made to force it into use. The consequence would be that shop-keepers and small dealers would receive many of their payments in a coin with which they could not make large payments without a loss They might receive 100*l* in a day from fifty customers, and when they came to place the 100*l* in the Bank, or to use it for a payment to a merchant, they would have to submit to a loss equal to the discount upon the gold From the Mint Regulations in England a similar loss cannot happen A similar source of loss would be experienced by railway companies, whose fares would be paid in a coin which they could not dispose of in large sums, except at a loss.

22 The fourth proposal is to adhere strictly to a single standard, but to change it from silver to gold. As I have already said, I freely admit that if we had to begin *de novo*, convenience would point to a gold standard with silver token coins as the best, although public opinion has been by no means agreed upon this point It is curious to observe *the fluctuations of views upon this subject, and how much they are* governed by expediency and convenience at the moment. In 1837, during the panic, silver happened to be rather abundant in the London market, and difficult to be converted into bank notes or gold, not being a legal tender A great pressure from the merchants of London at that time, and again in 1847 under similar circumstances was made upon the Government of the day to admit silver into circulation, exactly similar to that which now prevails in respect to gold where silver is the standard. I have a very clever pamphlet lying before me, entitled "The *Injury, Insufficiency* and Inconvenience of a Gold Standard," in which arguments are used quite as strong against that system as now prevails against a silver standard. If a Government were to vacillate in a vital matter of this kind according to the convenience or interest either of the debtor class or the creditor class the integrity of any standard would be entirely lost.

23 But though I admit that a gold standard does possess superior advantages, yet, as I have already shown, in a country where all obligations have been contracted to be paid in silver, to make a law by which they could forcibly be paid in anything else would simply be to defraud the creditor for the advantage of the debtor, and to break public faith

24 The fifth and last plan proposed is to adopt a double standard such as prevailed in the United States previous to 1853, and such as still prevails in France The system of a double standard is practically a permission for the debtor to pay his debts from time to time in the cheapest of the two metals. As I have already remarked, where such a system has existed from ancient times and when under it the great bulk of obligations have been contracted, the creditor has no right to complain of being paid from time to time in the cheapest of the two metals because that was the condition of his contract but in cases where a single standard has long prevailed the adoption of a double standard is just as much a breach of faith as a simple change of the standard for it must be plain that the introduction of a double standard is practically the adoption of the cheaper of the two metals at the time

25. But unjust as such a change would be, inconvenient as a double standard has proved in practice, and inconsistent as it is in principle, yet I have no doubt, if it is desired to have the use of both metals in a circulation of full value as coin, that it is the best mode in which that object can be attained. In all the other ways in which it has been attempted to circulate gold coins with a silver currency, the principle either of a varying value from day to day, or that of a periodical adjustment of value, the coin circulating in the mean time as a legal tender, has been found needful Under either of those plans, the holders are less or more subjected to immediate and individual loss; in the case of periodical adjustment, as is proposed in Germany, it may be to considerable loss. But in the operation of a double standard, the one coin, which is gradually becoming of less intrinsic value, gradually and from day to day, displaces the coin which is undergoing appreciation, large supplies of the cheapening coin come from the Mint, and corresponding quantities of the appreciating coin are brought up and exported at a profit, but as long as the two coins circulate together, and to whatever extent they do so, they are in the hands of the public of the same nominal value, and continue, without any intermission, to answer the same purpose for all daily uses However objectionable, therefore, a double standard may be, and however inconsistent with theory, I hold it to be the least objectionable of all the plans yet proposed for combining the use of the two metals in coins of full intrinsic value circulating in the same currency

26. But I would ask, what advantage could be expected from the adoption of gold in India? Upon this subject there is, I believe, much confusion of ideas It is said that gold is becoming more plentiful, and that the demand for silver is making it scarce Now, the extent to which this is true in practice must be measured by the rise which has taken place in the market price of silver, which I have shown does not exceed five per cent But supposing it were greater, would that be a reason for using gold? If India requires a supply of the precious metals, it can only be obtained in exchange for its products in foreign markets, and the quantity of those metals, whether of gold or silver, will be obtained in the exact proportion which they bear to the products of India for which they are exchanged India is quite as well off to receive silver as gold, and perhaps better, inasmuch as silver seems to be an appreciating metal, while gold is probably still falling Nor can it be deemed to be a disadvantage to India that the silver remitted for its products has to be obtained in exchange for the gold received from California or Australia in

London These different movements in the distribution of the precious metals to the points at which the exchanges of the world direct them are all determined by general broad principles, which are self-acting, and which any artificial attempt to disturb or control can only tend to derange.

27 In whatever form India receives its payments from the exterior world for the balance of its exports over its imports, whether in gold or in silver, can matter not, so long as the full value is received.

28 I know it is said that gold coins are much more convenient for circulation than silver If this refers to the removal of Government treasure from one part of the country to another, then I much doubt if any important advantage would attend gold coins The expense of removing coin is no doubt in a very small degree determined by its weight and bulk but to a much greater extent by the necessity of protecting it. It would require just as much of an escort to protect the sum of 100,000*l.* in gold as if in silver and perhaps even more so, inasmuch as the compactness and lightness of gold would render it a more tempting and handy prize to the robber than bulky and weighty silver Again I doubt much whether there would not be somewhat greater danger to local treasuries containing gold coin than silver It is a very suggestive fact, that during the mutiny the gold mohurs of 15 rupees commanded such a premium, owing to their greater convenience for concealment or removal, that the price of 26 and 27 rupees was given for them

29 But if the convenience referred to alludes to the use of gold coins or private expenditure, then I readily admit their value to that extent But I would submit that for this purpose, and for all others that have been suggested a well regulated paper currency, such as I have described in another Minute of this date would answer much better, while the ancient single standard of the country in which all existing obligations have been contracted would be maintained in all its integrity

JAS WILSON

GOVERNOR GENERAL'S CAMP;
MEERUT,
25*th December* 1859

FINANCIAL DEPARTMENT,—No 3.

To the RIGHT HON'BLE SIR CHARLES WOOD, BART., M. P., *Her Majesty's Secy. of State for India,—dated Camp Delhi, 29th December* 1859.

SIR,—In continuation of my separate letter of this date, No. 2, I have the honor to forward, for your information, copy of a Minute by the Right Honorable Mr Wilson, dated 25th instant, on the proposal to introduce a gold currency into India.

I have, &c.,

CANNING.

Financial Despatch from SIR C. WOOD, BART, G C B., *Secy. of State for India, to His Excellency the Right Hon'ble the Governor General of India in Council,—No* 86, *dated India Office, London, 26th May* 1860.

MY LORD,—I have to acknowledge the receipt of your Excellency's Despatch in this Department, dated the 29th December last, No 3, forwarding a Minute by Mr Wilson, on the question of the expediency of introducing a gold currency into India.

2 Without entering into the reasons contained in Mr Wilson's Minute, Her Majesty's Government concur in the opinion therein given, that it is not advisable at present to take measures for introducing a gold currency into India, as they believe that the wants of the community will be better met by means of a paper currency, the introduction of which was sanctioned in my Despatch in this Department, dated the 26th March last, No. 47.

and not less exchangeable value than that which represented money, when the debt was contracted.

"But I do not wish to discuss the subject further, for the other practical difficulties of introducing a gold currency, concurrently with the enormous silver currency now in existence, are, if not insuperable, so great, that I should be afraid of delaying the measure indefinitely if I attempted to solve them.

"All that I propose is one simple alteration, not at all inconsistent with the principle of the Bill, as it stands, and of a silver standard. It is this.—

"In England, where gold is the sole standard, the Bank is authorized to issue paper, to the extent of not more than one-fourth of its circulation, against silver

"I would reverse the process, and provide that, of the paper circulation of India to be issued against actual coin or bullion, a proportion, not exceeding one-fourth, might be issued against gold coin or bullion, at rates to be fixed by proclamation, and which might be periodically adjusted with proper notice

"The rate would have to be fixed so as to secure the State from risk of loss in having to convert this gold into silver, in order to meet the notes which had been issued against it, and this would necessitate a low rate at which gold would probably not be taken to the Mint, to exchange for paper under ordinary circumstances. But, on special occasions, and in particular transactions, it might be a great advantage to the mercantile community to know that gold could be made available, as money, at a fixed rate, and I think it not impossible that, with a minimum value thus established at which it could be taken at the Mint, and at Government Treasuries, the superior convenience of gold and its attraction for the Native population, might give it a marketable value, at which it would be largely imported If, for the sake of illustration, the sovereign were taken at the Mint and principal Treasuries at ten, or the gold mohur at fifteen rupees, it is quite possible that their market value would range up to eleven or sixteen rupees respectively, in which case, without risk to the Treasury, and without disturbance to the silver standard, gold would flow in, a great convenience would have been afforded to international commerce, and to the general public, and a foundation of experience laid upon which, after careful induction, it might be possible to go further in the same direction.

Extract from a Minute by the HON'BLE S LAING, *on the Paper Currency Bill*

"There is another point of considerable importance, on which I purpose to introduce an amendment.

"The Bill, as now framed, *contemplates the absolute and entire exclusion* of gold from the circulation of India

"I must confess that I feel very reluctant to base a great measure, for reforming the circulation of India, on the total exclusion, for all time to come, of that form of the precious metal which is indisputably the most convenient for many purposes, and which is the chief or sole standard of all the *principal* nations of the civilized world, with which we have commercial intercourse.

"Surely it is not desirable that the trade of India, with such countries as Australia or the United States should be for ever taxed with the difference of the cost between sending gold direct here or sending it first to London, then probably to France or Germany, to exchange for silver, and finally sending that silver to Bombay or Calcutta

"It is universally admitted that, if we could begin *de novo,* the English system of a gold standard with a silver token currency for small amounts and convertible paper for large payments, would be the most desirable, and if we cannot at once attain this object, we ought, at least, to approximate to it as nearly as we can, and leave an opening *for possible further progress*

"I am aware of the arguments urged in Mr Wilson's able Minute of the 25th December 1859 against any form of a double standard.

"I do not concur with many of these arguments, more especially with the fundamental one, which lays down that it would be a breach of faith, under any circumstances, for the State to pay in gold liabilities contracted in silver

"Several of the principal nations of the civilized world have practically changed their standard, without suspicion or breach of faith: France and the United States, for instance from silver to gold, Holland and other States, from a double standard of gold and silver to one of silver only, and if this were the only obstacle, I think arrangements would be easy by which the public creditor might have the most ample security for being paid in *money,* represented by coin of not less intrinsic

and not less exchangeable value than that which represented money, when the debt was contracted.

"But I do not wish to discuss the subject further, for the other practical difficulties of introducing a gold currency, concurrently with the enormous silver currency now in existence, are, if not insuperable, so great, that I should be afraid of delaying the measure indefinitely if I attempted to solve them

"All that I propose is one simple alteration, not at all inconsistent with the principle of the Bill, as it stands, and of a silver standard. It is this —

"In England, where gold is the sole standard, the Bank is authorized to issue paper, to the extent of not more than one-fourth of its circulation, against silver.

"I would reverse the process, and provide that, of the paper circulation of India to be issued against actual coin or bullion, a proportion, not exceeding one-fourth, might be issued against gold coin or bullion, at rates to be fixed by proclamation, and which might be periodically adjusted with proper notice

"The rate would have to be fixed so as to secure the State from risk of loss in having to convert this gold into silver, in order to meet the notes which had been issued against it, and this would necessitate a low rate at which gold would probably not be taken to the Mint, to exchange for paper under ordinary circumstances. But, on special occasions, and in particular transactions, it might be a great advantage to the mercantile community to know that gold could be made available, as money, at a fixed rate, and I think it not impossible that, with a minimum value thus established at which it could be taken at the Mint, and at Government Treasuries, the superior convenience of gold and its attraction for the Native population, might give it a marketable value, at which it would be largely imported. If, for the sake of illustration, the sovereign were taken at the Mint and principal Treasuries at ten, or the gold mohur at fifteen rupees, it is quite possible that their market value would range up to eleven or sixteen rupees respectively; in which case, without risk to the Treasury, and without disturbance to the silver standard, gold would flow in, a great convenience would have been afforded to international commerce, and to the general public, and a foundation of experience laid upon which, after careful induction, it might be possible to go further in the same direction.

Extract from a Minute by the HON'BLE S LAING, *on the Paper Currency Bill*

"There is another point of considerable importance, on which I purpose to introduce an amendment.

"The Bill, as now framed, contemplates the absolute and entire exclusion of gold from the circulation of India.

"I must confess that I feel very reluctant to base a great measure, for reforming the circulation of India, on the total exclusion, for all time to come, of that form of the precious metal which is indisputably the most convenient for many purposes and which is the chief or sole standard of all the principal nations of the civilized world, with which we have commercial intercourse

"Surely it is not desirable that the trade of India, with such countries as Australia or the United States should be for ever taxed with the difference of the cost between sending gold direct here or sending it first to London, then probably to France or Germany, to exchange for silver, and finally sending that silver to Bombay or Calcutta.

"It is universally admitted that, if we could begin *de novo*, the English system of a gold standard with a silver token currency for small amounts and convertible paper for large payments, would be the most desirable and, if we cannot at once attain this object, we ought, at least, to approximate to it as nearly as we can, and leave an opening for possible further progress.

"I am aware of the arguments urged in Mr Wilson s able Minute of the 25th December 1859 *against any form of a double standard*

"I do not concur with many of these arguments, more especially with the fundamental one, which lays down that it would be a breach of faith, under any circumstances, for the State to pay in gold liabilities contracted in silver

"Several of the principal nations of the civilized world have practically changed their standard, without suspicion or breach of faith France and the United States, for instance from silver to gold, Holland and other States, from a double standard of gold and silver to one of silver only, and if this were the only obstacle I think arrangements would be easy by which the public creditor might have the most ample security for being paid in *money*, represented by coin of not less intrinsic

and not less exchangeable value than that which represented money, when the debt was contracted.

"But I do not wish to discuss the subject further, for the other practical difficulties of introducing a gold currency, concurrently with the enormous silver currency now in existence, are, if not insuperable, so great, that I should be afraid of delaying the measure indefinitely if I attempted to solve them

"All that I propose is one simple alteration, not at all inconsistent with the principle of the Bill, as it stands, and of a silver standard. It is this —

"In England, where gold is the sole standard, the Bank is authorized to issue paper, to the extent of not more than one-fourth of its circulation, against silver.

"I would reverse the process, and provide that, of the paper circulation of India to be issued against actual coin or bullion, a proportion, not exceeding one-fourth, might be issued against gold coin or bullion, at rates to be fixed by proclamation, and which might be periodically adjusted with proper notice.

"The rate would have to be fixed so as to secure the State from risk of loss in having to convert this gold into silver, in order to meet the notes which had been issued against it, and this would necessitate a low rate at which gold would probably not be taken to the Mint, to exchange for paper under ordinary circumstances But, on special occasions, and in particular transactions, it might be a great advantage to the mercantile community to know that gold could be made available, as money, at a fixed rate, and I think it not impossible that, with a minimum value thus established at which it could be taken at the Mint, and at Government Treasuries, the superior convenience of gold and its attraction for the Native population, might give it a marketable value, at which it would be largely imported. If, for the sake of illustration, the sovereign were taken at the Mint and principal Treasuries at ten, or the gold mohur at fifteen rupees, it is quite possible that their market value would range up to eleven or sixteen rupees respectively, in which case, without risk to the Treasury, and without disturbance to the silver standard, gold would flow in, a great convenience would have been afforded to international commerce, and to the general public, and a foundation of experience laid upon which, after careful induction, it might be possible to go further in the same direction.

"If on the other hand, gold did not enter into circulation under these conditions, it would prove that silver, with a secure and convertible paper currency gave perfect confidence, and answered all the wants of trade and of the community and the enactment would remain a dead letter, and be perfectly harmless.

"The object would be attained by a short proviso at the end of the 9th Section."

Extract from the Select Committee's Report, dated 16*th February* 1861, *on the Paper Currency Bill*

"With reference to the question of gold, we have introduced an important amendment.

"Without attempting to discuss the questions which have been raised respecting a double standard or to depart in any respect from the principle of a sole silver standard, we have thought that it would be a considerable advantage to provide for the possible application in India of the same principle as regards gold as is applied in England in regard to silver

"In England, where gold is the sole standard the Bank of England are authorized to issue not exceeding one-fourth of their gold coin and bullion against silver

We have given a power of issuing up to one-fourth part of that portion of the circulation of India, which is represented by actual coin or bullion, against gold coin or bullion, at a rate to be fixed by the Government from time to time, and not altered without six months' notice.

"With ordinary prudence the Government cannot lose by taking a limited amount of gold at a price to be fixed by itself, while it may be a great convenience to commerce in many cases to know that gold can be made available as money at a certain fixed rate.

"Nor is it impossible that, if a certain fixed *minimum* value be thus given to gold, and it can be freely taken at the Government Treasuries at this rate, the superior convenience of gold and its adaptation to Native wants, may give it a higher value, and thus in course of time, a considerable auxiliary gold currency may be introduced Should these expectations not be realised no harm will have been done and the clause will simply remain a dead letter showing that with a sound paper circulation superadded to silver, nothing more is wanted"

Extract of the Paper Currency Bill

(* Section IX of the Original Bill.)

When such Notes may be issued.

*The Head Commissioner, the Commissioners, and the Deputy Commissioners *or Agents* shall, in their respective "Circles of Issue," on the demand of any person, issue from the Office of Issue of their respective Circles such Promissory Notes, on the terms following.—

[1] per ounce;

[2] and

[3] for

First, in exchange for the amount thereof in silver coin of full weight of the Government of India; or, *secondly*, in exchange for the amount thereof in standard silver bullion or foreign silver coin computed according to such standard at the rate of[1] 979 *Rupees per* 1,000 *tolahs of standard silver fit for coinage*, provided always that the said Head Commissioner, Commissioners,[2] Deputy Commissioners, *and Agents* shall, in all cases, be entitled to require such silver bullion and foreign coin to be melted and assayed at the expense of the person tendering the same, and provided also that in all places where there is no Mint of the Government of India, it shall be optional for any such Head Commissioner, Commissioner,[3] Deputy Commissioner, *or Agents*, to issue Notes in exchange for silver or foreign coin under this Section, or, *thirdly*, in exchange for other Notes of the Government of India payable to bearer on demand of other amounts issued within the same Circle.

Proviso

Provided also, that it shall be lawful for the Governor General in Council from time to time to direct, by order to be published in the Gazettes of Calcutta, Madras, and Bombay, that Notes to an extent not exceeding one-

fourth of the total amount of issues represented by coin and bullion as hereinafter provided, may be issued at such Offices or Agencies of Issue as may be named in the order, in exchange for gold coin of full weight of the Government of India, or for foreign gold coin or gold bullion computed at rates to be fixed by such order and which rates shall not be altered without six months' previous notice

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Extract paras 21 *to* 24 *of a Despatch from the Secretary of State, No* 75, *dated 2nd May* 1861

21 —"I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India, (as it is, I believe, in Ceylon) but, at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign If by any change in the relative value of the two metals, a sovereign and 10 rupees were to become of equal intrinsic value, the sovereign might readily be introduced, and become the standard coin of India but at present it can only be taken at its value as gold, and that value will vary from time to time, according to the demand at the moment for that metal.

22 —"This value must be determined amongst traders for them selves, and the Government will only embarrass itself and effect no purpose, by attempting, in any way, to vary or alter the ordinary operations of trade

23 —"If gold should ever become the standard of India, the reserve of the Issuing Banks would be held in gold, and not in silver, and in that case all this provision of the Act would have to be changed

24 —"I will not, however, object to the power given by the clause; but I desire that it may be used to a very limited amount, and only in the Presidency towns"

Extract from a Minute by the HON'BLE S. LAING *on Currency and Banking,—dated 7th May* 1862.

"The only remaining point to notice is as to the partial introduction of gold. I have always thought that the step taken by the Indian Government, in December 1852, of refusing to accept gold at the Government Treasuries, was a mistake. Gold being the most convenient and portable metal, and becoming more and more every day the currency of nearly the whole civilized world with which India has commercial transactions, it seems to me very undesirable to exclude gold altogether from the ordinary range of its monetary transactions.

"Were it possible to create *de novo* a currency for India, there can be little doubt that one similar to that of England would be the best, viz., with a gold standard and gold coins for moderate sums, a silver token currency for small transactions, and notes representing gold for large amounts. But with a silver standard and an immense silver coinage actually existing, the introduction of a gold coinage becomes difficult.

"I do not agree with many of the objections which have been urged against the adoption of a double standard, and if the alternative had lain between this and the abandonment of the principle of uniformity, by issuing notes in distinct circles, I should not have hesitated to prefer the double standard

"But this object being attained, there are no doubt difficulties in the way of a double standard, which it is better to avoid, and in fact the adoption of a double standard may be probably looked upon as a transition process to the abandonment of a silver and substitution of a gold standard.

"This involved an amount of change which, especially under existing circumstances, when a season of tranquillity and repose in financial and monetary matters is very desirable, I was not prepared to recommend, and accordingly the only provision respecting gold inserted in the Currency Act was one by which the Government were empowered to issue notes to a limited extent, never exceeding one-fourth of the issue represented by coin or bullion, against gold coin or bullion, at rates to be fixed from time to time, and not altered without six months' notice.

"The object of this was simply to leave the door open for cautious and tentative experiments with regard to the future use of gold The importation of gold already exists and is increasing, and the metal is so

much appreciated by the Native population as generally to command a premium It might therefore be a convenience to importers, and an encouragement to increased importation, if it were known that a certain quantity of gold could always be converted into money at a fixed rate, while, if this rate were fixed with a little margin below the ordinary market price and adjusted, if necessary, every six months, no risk of loss to the Government would be experienced Thus, after a time, if the use of gold became more general, and its value more fixed some further step might be taken, but in the mean time the clause would only be acted upon where it was shown that it would be a convenience to commerce and that the Government would run no appreciable risk. Indeed I should recommend the Government to wait for a year or two s experience of the working of the system just inaugurated before they take any step to put this clause as to gold into operation unless upon an application from the mercantile community of one of the Presidencies based upon strong grounds of practical convenience, in which case notes might be issued for gold at a safe rate at the Central Office of Issue of that Presidency'

Extract paras 59 *to* 64 *of Secretary of State's Despatch No* 158, *dated* 16*th September* 1862

59 — 'There is one other point put prominently forward in recommendation of that part of the scheme which relates to issuing notes on gold, i. e., that it will effectually contribute to the introduction of a gold currency in India, on which I must make some remarks.

60 —" How that result is to be produced is not explained All that can take place under this provision is, that gold may be deposited with the Issue Department and paper money issued thereon The gold will remain in deposit until it is required by the public for consumption in trade, or for export When so required, it will be taken from the Issue Department, and the notes taken out of circulation. In no case will the gold form part of the currency

61.—" The only effect, therefore likely to arise from that provision if acted upon to any extent, is, that the paper circulation of India will be subjected to variations which would not have occurred with a circulation of silver, and of paper based on silver

62 —" The question of introducing gold into circulation in India is a very important and very difficult one, but it has nothing to do with the issue of notes on gold.

63.—"The difficulties are of a practical nature, arising mainly from the uncertainty of the relative value of gold and silver, which is not likely to be determined while fresh discoveries of gold are being made.

64.—"If by any change in the relative value of the precious metals, the sovereign and 10 silver rupees should become of equal intrinsic value, the introduction of gold would be of comparatively easy accomplishment. At present, however, Her Majesty's Government do not consider that it would be expedient to take any step with a view to that object."

To the RIGHT HON'BLE SIR JOHN LAWRENCE, BART, G C B, K S I, *&c, &c, &c, Viceroy and Governor General of India in Council*

The respectful Memorial of the
Bombay Association

SHEWETH,—That your Memorialists beg respectfully to submit for the serious and favorable consideration of Your Excellency in Council, the following representation in regard to the question of the introduction of a gold currency into India —

2 That the existing silver currency is no longer adequate for the wants of India, and that commerce begins to be seriously crippled by its inefficiency

3 That from time immemorial until some years ago, India possessed an extensive gold currency

4 That the superior convenience of this circulating medium was well understood by the natives of this country

5 That the measures adopted by the British Government for the regulation of the money of India had the effect of gradually suppressing a gold and extending a silver currency and that finally in 1835 an Act was passed declaring gold no longer a legal tender

6 That these stringent regulations have virtually extinguished a gold currency in India, but have by no means extinguished its popularity

7 That the few gold coins remaining in circulation are greatly prized and command a considerable premium in the market

8 That rude attempts are made by some of the natives of India to remedy the defects of the present inconvenient silver currency, by circulating gold bars authenticated by the stamp of Bombay Banks.

9 That when the present currency was introduced into India, silver was much more abundant than gold, and on this account was probably adopted

10 That large quantities of gold have now been discovered in adjacent countries, and that, this metal being now greatly more abundant than silver the same reason which originally led to the introduction of silver, now should suggest the expediency of the introduction of gold.

11. That India annually imports and absorbs more silver than the whole world annually produces, and that this excessive drain must inevitably lead to serious embarrassment both to India and to the rest of the world.

12. That India annually loses a large sum by being virtually forced to purchase silver brought from distant countries, and weighted with heavy charges.

13. That gold might be imported much more conveniently and cheaply from Australia, and not only save expense to the country, but promote the general interests of India.

14. That direct trade with Australia is prohibited by the present exclusive silver standard and currency, and the expansion of the commerce of India thus seriously impeded.

15. That India cannot re-sell silver reaching her so burdened by charges, without loss, and is therefore obliged to absorb it.

16. That India might obtain gold at a rate which would enable her profitably to distribute it, and that its introduction, therefore, would not only check absorption, but add materially to the reproductive wealth of the country.

17. That a silver currency convenient for the people of India a quarter of a century ago, when trade was limited, and payments, in the main, extremely small, is very inconvenient now that wealth is largely diffused throughout the country, and the operations of commerce have become so enormous.

18. That the transport of this bulky and cumbersome currency entails constant and useless expense upon the country, and its consequent sluggish circulation is a serious impediment to trade.

19. That India is not yet prepared for a paper currency, and that the Currency Act of 1861 does not provide any remedy for the defects of the monetary system, which, the late Right Honorable Mr Wilson admitted, "called loudly for amendment."

20. That currency notes do not circulate in the interior, and even in large towns in the Mofussil, only rank as Hoondies, and cannot be cashed except under heavy discount.

21. That the insufficiency of the existing currency has already caused severe financial embarrassment, and threatens the commerce of India with periodical and fatal vicissitudes.

22 That reform is, therefore, very urgently required, and cannot be delayed without endangering national interests

23 That your Memorialists therefore respectfully pray your Excellency in Council to take this question into immediate consideration, and to restore a gold currency, which the altered circumstances of the world recommend, and which your Memorialists believe would be most popularly received in India, both from ancient associations and present convenience

And your Memorialists as in duty bound will ever pray

VENAYECKROW JUGONNATHJEE,
Secretary, Bombay Association

BOMBAY,
8th February 1864

From E H LUSHINGTON ESQ, *Secy to the Govt of India, Finl Dept to the Committee of the Bombay Association*—*No* 1123, *dated 29th February* 1864

In reply to the Memorial of the Bombay Association dated 8th February 1864, for the introduction into India of a gold currency, I am directed to state that His Excellency the Governor General in Council has this important subject under consideration.

From H W I. WOOD, ESQ., *Secy to the Bengal Chamber of Commerce, to Secy to Govt of India, Finl Dept*,—*dated 19th February* 1864

I am directed by the Committee of the Chamber of Commerce to forward, for the information of the Right Honorable the Governor General in Council, a copy of a Resolution passed at a general meeting of the Chamber on the 17th instant.

2 The Resolution records the opinion that the introduction into India of an auxiliary gold currency would be attended with great benefit, and directs the Committee to address the Government of India on the subject, and pray for the appointment of a Committee to inquire into the best mode of introducing such an auxiliary currency

3 In compliance, therefore, with that direction, the Committee have the honor to submit for the consideration of His Excellency their recommendation of the introduction of gold as an auxiliary currency, and their prayer that a Committee be appointed to inquire into the means best adapted for the introduction of such a currency.

4. The introduction of a gold currency into India is almost universally admitted as a positive necessity demanded by various circumstances, which have been gradually developed within the last few years, and the time appears to have arrived when that necessity should be at once recognised by the State, and measures promptly adopted for such a modification of existing monetary legislation as will best promote the commercial and social interests of the country.

5 The opinion of the Committee and of the Meeting was strongly in favor of the introduction of gold as an auxiliary currency, and as a tentative measure which they believe will gradually but surely lead to the adoption of gold as the general metallic currency of this country with silver as the auxiliary, but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great derangement in the commerce and finance of India, and probably also in the money markets of Europe if a large quantity of gold were suddenly required to carry out such a change.

6 For convenience of reference, the Committee beg leave to append to this letter the correspondence which took place on this subject between the Government of India and the Chamber of Commerce in 1859, and they respectfully invite the attention of the Governor General in Council to the representation then made, and to the replies given to the several objections which had been raised to the proposed measure

7 In placing these papers before His Excellency, the Committee consider it unnecessary at this moment to enter into a further discussion of the question, for in the event of His Excellency being pleased to appoint the Committee applied for, a separate report will be presented, and every point in connection with the scheme will no doubt be prominently noticed.

Resolution adopted at a Special General Meeting of the Bengal Chamber of Commerce, held on the 17th February 1864

Resolved, that this Meeting is of opinion that the introduction of gold as an auxiliary currency into India would prove very beneficial and that the Committee be instructed to address the Government of India on the subject, and pray for the appointment of a Committee to inquire into the best mode of introducing such an auxiliary currency

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From E. H LUSHINGTON, ESQ *Secy to Govt of India, Finl. Dept, to the Committee of the Bengal Chamber of Commerce,—No* 1124, *dated 29th February* 1864

In reply to your Secretary's letter of the 19th February 1864, forwarding copy of a Resolution passed at a General Meeting of the Chamber on the 17th idem regarding the introduction into India of an auxiliary gold currency, I am directed to state that His Excellency the Governor General in Council has this important subject under consideration, but it is not deemed necessary to appoint a Committee to enquire into the best mode of introducing such an auxiliary currency

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From A. D ROBERTSON, ESQ, *Offg Chief Secy to Govt of Bombay, to Secy to Govt of India, Finl Dept,—No* 252 *dated 7th March* 1864

I am directed by His Excellency the Governor in Council to forward for submission to the Government of India the accompanying Memorial of the Bombay Chamber of Commerce * addressed to the Right Honorable the Viceroy and Governor General of India in Council, on the desirability of introducing a gold currency into India together with copies of the Minutes recorded by the Members of this Government on the subject

* Received with letter from the Secretary to the Chamber No. 21 dated 19th February 1864.

2 The Memorial of the Bombay Association referred to in paragraph 2 of His Excellency the Governor's Minute of the 23rd ultimo has, it is presumed been already forwarded direct to the Government of India

by the Association. A copy of that Memorial, and of the letter of Mr W Cassels, referred to in the concluding paragraph of the Honorable Mr. Inverarity's Minute, are also herewith forwarded.

3. The Minute promised by His Excellency the Commander-in-Chief will be submitted as soon as it is received.

To the RIGHT HON'BLE SIR JOHN LAWRENCE, G. C B., G M S I, *&c*, *&c*, *&c*., *Viceroy and Governor General of India in Council*

The respectful Memorial of the Bombay Chamber of Commerce

SHEWETH—That the monetary condition of India is in a most unsound and unsatisfactory state, and that its exclusive silver currency is no longer adequate for the circulation of the increased and increasing amount of commodities through its vast population

That within the last ten years the trade of Bombay has been trebled, and that last year the aggregate export and import trade alone, of Calcutta, Madras, and Bombay, amounted to 1,060 millions of rupees.

That the resources of India are only now beginning to be developed, and that its commerce and industry, now stimulated into healthy activity, are rapidly expanding in every direction.

That the wise regulation of our currency, therefore, demands the immediate and serious attention of Government

That when our silver standard and currency were introduced, the production of silver amounted to double that of gold, and was, therefore, reasonably selected for this country.

That whilst the demand of India has enormously increased, the production of silver has remained unaltered, and has become insufficient.

That the annual produce of silver throughout the world does not exceed 10 millions sterling

That during the last six years the average annual importation and absorption of silver by India alone has amounted to 11½ millions sterling, and that last year the amount imported was no less than 14½ millions

That India alone, therefore, has consumed, during the last six years, on an average 15 per cent, and last year nearly 50 per cent. more silver than the whole world annually produces

That the annual aggregate demand for silver throughout the world may be fairly estimated at about treble the annual production

That great scarcity and enhancement in the value of silver must inevitably ensue from this excessive disproportion between demand and supply

That the inevitable decrease in the amount of our currency, therefore, just at a time when the amount of commodities to be circulated has so enormously increased, and a consequent violent derangement of prices, cannot fail to be most disastrous to India.

That the continued drain of silver for India must derange, if not eventually destroy, the silver currency of all other nations.

That it is the interest of the world, as well as of India, to check the exhaustive drain of silver, by the introduction of gold into our currency

That the special demand of India for silver does not arise from any predilection for that metal, but is compulsory, and due only to our exclusive and inconvenient silver currency

That while the production of silver has remained unaltered, in spite of increased demand, and is so insufficient, the production of gold has largely increased, and annually amounts to at least 150 per cent. more than that of silver

That this complete revolution in the relative quantities of the precious metals, and the discovery of gold in an adjacent country, naturally suggests the necessity of a corresponding adjustment of our currency, and the introduction of gold.

That while there is not enough of silver for India and for other countries, there is abundance of gold for all.

That while silver must be transported from a great distance, and reaches us burdened with heavy charges, gold may be cheaply procured from neighbouring countries

That from its enhanced cost in India, we cannot profitably, or without loss, re-export silver, and its reproductive power is thus lost to this country

That our silver standard and currency, therefore, force India to continue the "sink" of this precious metal, adding the reluctant absorption of commerce to the characteristic absorption of the ryot.

That instead of being the last recipients and absorbers of silver, we might become the first importers and the distributors of gold.

That India is virtually compelled to purchase silver, the dearer and scarcer of the precious metals, and prevented taking gold, which is cheaper and more abundant

That obtaining money cheaper, we should obtain all other commodities cheaper also.

That the heavy charges with which silver is burdened are a serious and unnecessary loss to India.

That our exclusive silver standard and currency renders direct trade with Australia and other gold-producing districts impossible, and forces a country, with abundance of the more precious metal, to traverse half the globe in search of silver, before she can pay for our commodities.

That this prohibitive currency, which excludes us from commercial intercourse with neighbouring countries, must severely injure the interests of India.

That a silver currency is bulky and inconvenient, and entails much expense upon India.

That the cost of transport is a serious item in State charges and in private accounts, the weight of £1,000 sterling in rupees being no less than 312 ℔ 6 oz. troy.

That the mere loss of time in counting, weighing, and examining it, is vexatious and embarrassing.

That the cumbrous nature of our silver currency not only causes much heavy and unnecessary expense, but from the impossibility of its rapid transmission from point to point, renders it necessary for Government to retain large and unprofitable balances in various treasuries.

That the accumulation of Government and private funds, which the difficulty of transport necessitates, not only causes much loss of interest, but restricts all business operations.

That the introduction of a gold currency into India would promote an equable distribution of the precious metals, and restore their relative equilibrium.

That the superior convenience of gold, and its adaptation to native wants, would secure an immediate and intelligent welcome for a gold currency in India.

That the importation of gold has for many years steadily increased, though it is not a legal tender, the amount imported last year being nearly 7 millions sterling, and that, from the 1st May to the 31st

December, since the returns quoted, no less than 3½ millions sterling of gold are imported into Bombay alone.

That there is an increasing tendency to the creation of a gold ingot currency, by the natives of this country, as a rude remedy for the defects of the existing silver one

That gold bars stamped with the mark of Bombay Banks, are for this purpose circulated in several parts of the country

That the exclusion of gold from our currency cannot be justified, and cannot be considered other than barbarous, irrational, and unnatural

That it is only just and reasonable that India should be allowed the benefits which she would secure from the introduction of a gold currency

That recent financial derangements warn us of the necessity of immediate reform

That the longer this reform is delayed, the more difficult will it become

That your Memorialists, therefore, earnestly entreat your Excellency in Council to take this important question at once into serious consideration, and to effect an amendment which is so loudly called for, by introducing a well regulated gold currency into India.

By order of the Bombay Chamber of Commerce

WALTER R CASSELS
MICHAEL H SCOTT
ALEX. BROWN

Minute by His Excellency the Governor of Bombay—dated 23rd February 1864

I would forward this Memorial to the Government of India without delay, with a request that the subject may receive the early attention of the Governor General in Council, as it is one of the greatest importance at the present moment to the commercial interests of this part of India

2 I would add a copy of the very able Memorial of the Bombay Association, which may be taken as an expression of the views generally concurred in by the leaders of the native mercantile community

3 These papers state so clearly the arguments in favor of the adoption of a gold currency for India, that I will confine myself to briefly expressing my own views as to the course to be taken by Government, assuming it for granted that, if the present demand for silver continues, the adoption of a gold currency will very speedily become a matter of necessity rather than of choice, and that our present duty, therefore, is simply to prepare the way for a change, which, supposing the present state of things to continue, may at no distant period be forced upon us.

4. I would, in the first place, act on the proviso in the last Clause of Section 9 of Act XIX of 1861.

5 The effect of this would doubtless be to substitute a considerable proportion of gold for the silver which is now imported into India, and, in proportion of such substitution, to relieve the inconvenience now felt by the absolute scarcity of silver in Europe

6 It would also tend to expand the use of Government currency notes, and to set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country, and which disappears from the circulation of our great commercial marts

7 I may remark, in passing, that this absorption of silver of which we hear so much, is not, in my opinion, entirely owing to hoarding or the use of silver in ornaments, great quantities, I believe, go to furnish a currency where no general medium of exchange before existed There can be no doubt rupees are now found in hundreds of small bazaars where all trade used to be conducted by barter, and if any one who is acquainted with the almost universal prevalence of barter a few years ago in all but the larger bazaars of country districts will reflect on the amount of silver which must be absorbed before all the petty bazaars of the country are furnished with silver coin as a medium of exchange, he will at once perceive that it must occasion an absorption of silver quite as important as the practice of hoarding, or of converting silver into ornaments.

8 It has been objected to the proviso in Section 9 of the Paper Currency Act, that Government might be embarrassed if they got too large a quantity of gold as compared with silver in their treasury in exchange for notes, but I am convinced that there is no ground whatever for apprehension on this score, because, in the event of any panic which might cause a run on the Bank, nine natives out of ten would prefer to exchange their notes for gold rather than for silver, owing to its superior portability.

9 When we have had time to see the effect of issuing notes against gold, we shall be in a better position to consider what further steps may be called for. Probably the next step would be to allow the Government revenue above 10 rupees to be paid in sovereigns. It is clear that there must be a much larger amount of gold than at present in common commercial use before the question of the necessity for a change in standard can become one of immediate practical importance.

10 It will probably be necessary that we should first pass through the inconvenient and anomalous stage of a double or alternative standard, but I cannot see that at the present stage Government can be reasonably expected to do more than I have above proposed.

H B E. FRERE

Minute by His Excellency the Commander in-Chief,—dated 25th February 1864

I will not now detain these papers. I have been for some time engaged in the investigation of the question which has now been formally proposed by the Bombay Chamber of Commerce for the consideration of His Excellency the Viceroy and Governor General in Council. I purpose, in consequence to submit my views in detail to the Board at an early date. In the mean time I would ask to signify my concurrence in the prayer of the Memorial.

W R MANSFIELD

Minute by the HON'BLE W E. FRERE,*—dated 20th February* 1864

As this is not a question for our decision, I will not detain these papers further than to add my concurrence in the opinion given by His Excellency the President, and conviction that, as the first step in the monetary revolution we are now entering upon, or being driven into, action on the 9th Section of Act XIX of 1861 is imperatively called for

W E. FRERE.

Minute by the HON'BLE J. D INVERARITY,—*dated 29th February* 1864.

I think that the measure proposed by His Excellency the President, and concurred in by my honorable colleague, will be found to be totally inadequate to accomplish the end sought for by the Memorialists, viz., the introduction into India of a well-regulated gold currency.

2. It is an admitted fact that as yet the supply of the precious metals in India is altogether insufficient to meet the demands for currency purposes, and the introduction of a paper currency, unfamiliar to the masses, and unsuited to their habits and condition, has not been followed by any very great measure of success Silver and gold continue to flow into this country in vast quantities. The appended Statements prepared in the Secretariat show that for the past nine years, 1854-55 to 1862-63, the imports of silver into Bombay in excess of exports stand at Rs 33,89,69,774, a sum not far short of thirty-four millions sterling, and that for the same period the imports of gold in excess of exports stand at Rs 16,51,91,293, or somewhat more than sixteen and a half millions sterling These imports have largely increased year by year, and still the demand will be for more During the current year it is expected the imports of silver over exports will not be far short of twelve millions sterling "It is not," as expressed by a writer in the *Westminster Review* for last month, "any fall in the value of silver which has brought about the drain of this metal to the East, but simply the nature of the Indian and Chinese demand for our manufactures, which is very small compared with ours for their productions, but which is immense for silver, which represents to them everything desirable in their conceptions of luxury, comfort, and security. * * * * * In spite of our troubles in India, and a state of chronic warfare in China, the increase of our trade with the East during the last ten years has been enormous This, too, may be looked upon as only the beginning of a commerce that must grow to proportions which cannot be estimated The most important feature, too, of Eastern trade is the manner in which it absorbs the precious metals. This is a peculiarity so intimately bound up with the social condition of the East, that it is likely to last as long as their ignorance and mutual mistrust. Until a system of credit can grow up among them like that which in Europe dispenses with the use of gold and silver for almost all things but retail transactions and the payment of labor, the East must ever remain a perfect

sink for the precious metals. What amount of money would be sufficient to saturate the hoarding propensities of these hundreds of millions of men? * * * There is no practical limit to the demand of the East for the precious metals except the industry that they can develope in its acquisition, and that industry is susceptible of indefinite development."

3 Dr Nassau Lees, in his book "The Drain of Silver to the East, lately published, supports the same view at pages 43 to 46 He considers that the demand of the precious metals for currency purposes in India will not only continue for a very long time, but will yet be enormous He shows that India is still capable of absorbing four or five hundred millions of pounds sterling of silver in addition to what she already possesses. The question then arises, can this enormous quantity of silver be provided for India? and as there can be but one answer, the alternative seems to be that prayed for by the Memorialists, viz., the adoption of a gold standard, and the introduction of a gold currency with subsidiary silver tokens, as set forth by Mr Walter Cassels in his letter of the 1st ultimo, to the address of His Excellency the Governor The action of the people themselves by largely importing gold, and by making it current in stamped bars has already opened the way for Government to supply a long felt want, the continued existence of which may lead to future embarrassment. The bugbear of the possible fall of value in gold is thus well disposed of by the writer in the Review I have already quoted "All the efforts which have been made to estimate the fall of value in gold by calculating the effect of the annual additions to the existing stock of the metal err by ignoring the immense effect of the additions themselves upon the productive industry of the world and by overlooking the direct tendency of such a stimulus to re-establish the old ratio between the circulating medium and commodities, upon which ratio prices ultimately depend"

4 The prayer of the Memorial has my cordial support, and Mr Walter Cassels' letter of 1st January 1864 on the same subject to His Excellency the Governor has my full concurrence, and might be submitted to the Government of India with the Memorial.

J D INVERARITY

luring the period from 1854-55 *to* 1864-65.

Siam	Pegu.	Amhorst	Madagascar	Indian or Home Ports British	Indian or Home Ports not British.	Total	Imports in excess of Exports.	Imports less than Exports
				32,875	500	50,05,733	43,11,916	
				73,735	1,86,382	6,93,822		
				8,400	4,770	1,25,02,554	1,12,96,285	
				4,87,064	6,98,565	12,06,269		
				7,100	4,675	1,02,13,936	87,98,703	
				3,90,493	3,46,440	14,15,233		
				1,57,423	32,900	1,53,35,797	1,35,70,626	
				5 12,101	12,60,130	17,65,171		
				61,522	2,200	1,97,32,307	1,79,94,807	
				4,50,265	12,73,335	17,37,500		
			14,000	5,518	14,550	2,86,07,418	2,58,05,184	
				11,04,702	16,59,557	28,02,234		
				19,825	24,100	2,50,32,294	2,24,87,142	
..				16,11,419	9,76,118	25,45,152		
				24,100	14,750	2,85,39,425	2,48,21,001	
				22,08,914	14,12,490	37,18,424		
				12,224	7,000	4,02,25,794	3,61,05,629	
				13 81,955	25 83,960	41 20 165		

From WALTER R. CASSELS, ESQ, *to His Excellency the Governor of Bombay, &c , &c., &c.,—dated 1st January* 1864.

The monetary condition of our Indian Empire is so unsound, and the necessity of a thorough reform of its currency so urgent, that I venture to address your Excellency on the subject, in the hope that, recognizing the inadequateness of the existing system for the wants of the community, your Excellency may be induced to exert your great influence to secure the introduction of a gold currency and standard into India.

The rapid increase of the trade of Bombay

Your Excellency is aware that, for some years, the commerce of India, and especially of Bombay, has rapidly increased Favorable circumstances have occurred to develope the resources of the country, and wealth has been largely distributed amongst all classes, from the ryot to the merchant In ten years the trade of Bombay, as the following statistics show, has increased nearly 250 per cent. .—

Years	Imports	Exports	Total
	Rs	Rs.	Rs.
1853-54	8,43,83,626	9,50,71,893	17,94,55,519
1854-55	7,82,52,261	8,16,98,816	15,99,51,077
1855-56 .. .	11,57,73,041	10,29,19,161	21,86,92,202
1856-57 .	14,48,46,391	12,57,93,939	27,06,40,330
1857-58 . .	16,31,60,026	14,67,73,599	30,99,33,625
1858-59 . . .	18,38,15,410	15,95,08,825	34,33,24,235
1859-60 ..	19,87,49,906	15,51,54,526	35,39,04,432
1860-61 .. .	18,62,63,013	19,48,80,399	38,11,43,412
1861-62	21,85,65,797	21,29,99,605	43,15,65,402
1862-63	29,01,87,097	30,13,92,044	59,15,79,141

These amounts, however, being but Custom House valuations, do not adequately represent the extent of our commerce during the last three years, and taking into consideration the high prices realized for cotton in England, and paid for Piece Goods here, they might fairly be increased by fifteen or twenty per cent The aggregate commerce of Calcutta last year amounted to Rs 34,06,04,861, and that of Madras to Rs 13,04,66,579, making a total for the three Presidencies of Rs 106,26,50,579.

It is clear that the amount of money required to circulate commodities to so large an extent as this through so many hands, as well as to suffice for the wants of a population of 200 millions must be very great. There can therefore, scarcely be a subject of greater importance for the consideration of Government than the wise regulation of the currency, upon which the well being of so vast an Empire so vitally depends, and it is one which at present demands their immediate attention

necessitates a wise regulation of the currency

The late Right Honorable James Wilson in his speech on a paper currency, expressed in distinct terms his sense of the inefficiency of the existing Indian currency "I believe," he said, "there is but 'one opinion throughout India, and, I will add, at home, that the cur 'rency of this dependency of the British Empire is in a most unsatisfac- tory state there may be, and no doubt there are, many different opinions as to the mode in which its glaring defects can be best amended, but at least all are agreed that amendment is loudly called for If,' he continued, "your monetary condition be unsound the country will be exposed, in an aggravated form, to all those vicissitudes which overtake trade, for 'a time paralyze industry, and impoverish the people if on the other 'hand, it be based on sound and solid principles we may rest contented 'that we have at least taken every precaution within our power if not 'for altogether preventing those vicissitudes, yet for alleviating their 'consequences and shortening their duration"

Our currency is in a most unsatisfactory state, and needs to be reformed.

I quote these statements, not only as possessing all the weight of opinions expressed by so able a financier, but also as being particularly appropriate at a time when trade is really suffering from the very species of vicissitude which Mr Wilson anticipated and which is both intensified and prolonged by the imperfect currency which he described

The only object of a currency being to circulate commodities in the most convenient manner, Mr Wilson, of course, admitted that this was best attained by adopting either gold or silver as a standard by which their value might be defined, but he proposed his scheme of a convertible paper currency for the purpose of setting free a large portion of the reproductive capital of the country thus absorbed and rendered sterile The Currency Bill was no doubt a very important and desirable measure, whose usefulness, probably, will increase as the country becomes ripe for

The object of a paper currency is to set free reproductive capital.

its acceptance Hitherto, however, I believe that the objects for which it was framed have not to any considerable extent been attained, and for the present it has not been successful in reforming the defects of the Indian currency.

General intelligence and confidence required for its reception.

A paper currency, based upon sound principles, is certainly one of the wisest measures of financial administration, but for its general adoption throughout a country, it is requisite that intelligence and confidence should be largely diffused The acceptance of a piece of paper, without intrinsic worth, and deriving its sole value from the mere promise to pay a certain sum, denotes the existence of a healthy public credit, and reliance upon administrative principles, which can only be found in an advanced state of civilization, and after a long period of commercial good faith

That India is not yet prepared for it

I believe that few persons acquainted with the state of India will assert that the mass of its population are yet prepared to understand or avail themselves of such a currency. Centuries of misrule and oppression under Native rule have implanted suspicion and distrust in the Native character, and European civilization has as yet scarcely lifted a corner of the veil of ignorance that enshrouds and perpetuates these hereditary qualities. Without going into statistics at all, therefore, it might be predicated that a paper currency, unintelligible both in form and in principle to the great mass of the people, could not circulate much beyond a few of the greater towns into which European enterprize and enlightenment have penetrated

is proved by the reports of the Currency Department

That this has really been the case is evident from the following Statement of the Currency Departments in the three Presidencies —

Presidencies	Reserve			Value of Notes in Circulation
	Bullion	Coin	Government Securities	
	Rs	Rs	Rs.	
Calcutta*	...	1,84,55,922	1,10,44,078	2,95,00,000
Madras*		73,00,000	...	73,00,000
Bombay†	1,17,00,000	1,19,00,000	.	2,36,00,000
Total	1,17,00,000	3,76,55,922	1,10,44,078	6,04,00,000

* 31st October 1863 † 4th January 1864.

Speaking in 1860, Mr Wilson stated that the coinage in the three Indian Mints since 1835 amounted to upwards of one hundred crores of rupees, or 100 millions sterling, and that during the last four years of the period, the production had actually been at the rate of 12 millions sterling in each year

Mr Wilson's estimate of the actual currency

Professing, however, to allow for the great withdrawal of coin, both for the purpose of hoarding and conversion into jewellery, he estimated the total amount in actual circulation at one hundred crores of rupees or 100 millions sterling I cannot understand by what process he arrived at this high estimate, but I believe that if he had reduced it by one half he would have been much nearer the mark. He, in fact, assumed that the coin issued prior to 1835 counterbalanced the whole of the previous and subsequent absorption It would not be difficult, I think to show the incorrectness of his estimate but accepting it for the present and taking it, as Mr Wilson apparently desired as the basis of our calculation, we find that currency notes after three years, have really only been taken to the extent of about 6 per cent of the whole currency, and that they have actually only fulfilled their sole legitimate object of releasing the reproductive capital of the country to the extent of a million sterling, or 1 per cent.

Our paper currency has only freed a trifling proportion of reproductive capital.

As an illustration of my assertion that India is yet far from prepared for such a circulating medium, I may mention a case which occurred in Bombay within my own knowledge A Parsee gentleman tendered a currency note for one hundred rupees to a native carpenter for work done which he somewhat reluctantly accepted. This was about the time when the present monetary pressure first became intense, and the value of Government Securities had declined and Banks were no longer able or willing to lend money against them. Two days after, the Native returned, wringing his hands, and saying that he had been unable to change the note in the bazaar and that he understood that Government notes were no longer worth anything In order to test the state of popular credulity, the gentleman offered Rs. 45 for the Rs 100 note, which the native thankfully accepted and he was going away in a more easy state of mind when he was recalled and the full amount of rupees handed to him I fear that, amongst the poorer classes in the interior, a currency note would be regarded with still greater distrust

The currency notes are distrusted.

The Currency Act of 1861 has not effected the requisite reform.

The statistics which I have cited, it appears to me, conclusively prove that the Currency Act of 1861 has not produced any very material result, and that the "amendment" which Mr. Wilson admitted to be "so loudly called for" has yet to be effected, and is now more urgently required than ever.

The present monetary pressure.

Whatever may be the monetary state of any country, moments of vicissitude must of course occur, and passing storms must disturb, in order to clear, the commercial atmosphere. Where the currency, however, is sufficient, and based upon sound principles, these periods of commercial distress, although they cannot be altogether prevented, are seldom of long duration, and can speedily be relieved The trade of Bombay at present is passing through one of those periods of severe monetary pressure which a defective currency mainly contributes to prolong The crisis, I think, may be accounted for from the fact that our unprecedentedly active and profitable trade, and the numerous hands through which commodities have to pass in this country, have absorbed a great part of our metallic currency. The stream of capital has, to an unusual extent, flowed into the interior for cotton and other produce; much has been distributed amongst the ryots, by whom it has been absorbed, and much has been embarked in speculative investments This has proceeded with a rapidity commensurate with the activity of commerce, and, rather suddenly the country has found itself without sufficient coin for the efficient circulation of commodities Under these circumstances, one of three things generally happens—either the deficiency is made up by artificial contrivances—and here our paper currency has not helped us, or money must be made to do double work, and pass from hand to hand with a rapidity sufficient to compensate for its reduced quantity, or the market must adjust itself to the smaller currency, by a general fall in prices. In our case peculiar circumstances have modified all of these effects The price of all securities has more or less declined, and other commodities have likewise been partially affected, but holders, generally, are too strong and wealthy to succumb under a pressure which they feel to be only temporary, so that, instead of parting with their goods or produce for a smaller quantity of the circulating medium, they prefer retaining them. Prices, therefore, have not adjusted themselves to the reduced currency, but business has been almost altogether suspended. The demand for money continues great,

profitable employment for it still abounding, and the Bank's rate of interest has been raised to 24 per cent while those who have required to draw their capital from England have been content to engage to pay 2*s* 3*d* there, six months hence for each rupee advanced in India. This crisis might and no doubt would have occurred whether our standard had been gold or silver, but it appears to me that with a gold standard its severity would have been mitigated, and its duration materially abridged Our relief can only be effected by importations of silver for I do not believe that we can reasonably hope for a sufficient present return of coin from the interior Now silver is becoming scarce in Europe, its transport is comparatively difficult, and even when received in Bombay the working powers of the Mint are greatly below the requirements of the country At the present moment, with the demand for money so intense that interest is 24 per cent., and exchange on England 2*s* 2*d*, about 80 lakhs of rupees in bullion, belonging to merchants lie in the Mint uncoined and unassayed. With gold for our circulating medium this state of affairs could scarcely long continue, and an ample supply to meet so profitable a demand, would certainly have flowed into our market, but under existing circumstances I cannot see any immediate prospect of effectual relief

is prolonged by our insufficient silver standard and currency

Both the public and the Government are subjected to loss by our bulky and inconvenient silver coinage "Can "any one form a just estimate,' demanded Mr Wilson, "of the whole cost to which the public are put in trans- "mitting this bulky coin from place to place? Can any one even judge 'of the expense which the Government alone has incurred on this 'account?'

and both Government and the public are subjected by it to loss.

He also alludes, as to a familiar and patent fact, to the inconvenience of the present money to every one in private life. Indeed this can scarcely be rendered more apparent than by the circumstance that scarcely any European or Native gentleman ever carries a single rupee about his person Mr Wilson, however mentioned one circumstance which very forcibly illustrates the inadequacy and inconvenience of such a circulating medium He stated, "In one "of the large trading towns in the North West, I found a remarkable example of this inconvenience I found that recourse had been had for a circulating medium in order to save

Native dealers adopt expedients to remedy its defects.

"the labor and time of counting large sums in rupees, to the use "of mysterious sealed bags, said to contain a thousand rupees each. "These bags circulate freely, in wholesale transactions, upon the faith "the merchants have in each other, with a 'chit' or letter of endorse- "ment, without always any precise knowledge of what the real contents "are Sir, when recourse is had to expedients of this kind, we have "ample proof that some reform in our existing system is loudly called for"

This inconvenient silver coinage is maintained at great expense

But this inconvenient coinage which native dealers struggle in a measure to correct for themselves, is actually maintained at great unnecessary expense The estimated number of rupees in circulation according to Mr. Wilson is no less than one thousand millions, and the aggregate trade of the three presidential towns represents a sum of upwards of one thousand and sixty-two millions, to maintain which in circulation the three Mints annually coin upwards of one hundred and twenty millions of rupees. A large part of the expense thus incurred, in producing an unwieldy and costly coin of small intrinsic value, might be saved by adopting a gold standard

The amount of silver absorbed in India

India has for ages enjoyed the unenviable reputation of being the "sink" of the precious metals, but, since the adoption of a silver standard for her currency, the process of absorption has principally acted upon that metal, gold not being a legal tender, and consequently being less freely imported From the 30th April 1834 to the same date in 1857, about £60,000,000 sterling, chiefly in silver, were imported into India, of which no less than 90 per cent. were actually coined into rupees, at a considerable expense to the Government, a large part of which, doubtless, was subsequently converted into bangles, at an equivalent loss to the country The amount of silver bullion and coin imported into each of the three Presidencies during the last six years is as follows —

Years	Calcutta	Madras	Bombay	Total
	Rs	Rs	Rs	Rs
1857-58	7,14,90,940	1,39,86,923	5,96,49,976	14,51,27,839
1858-59	3,23,48,032	1,10,58,271	4,45,15,517	8,79,21,820
1859-60	6,76,24,417	1,22,78,944	4,67,86,769	12,66,90,130
1860-61	2,60,97,635	1,38,02,362	3,88,59,849	7,87,59,846
1861-62	2,70,45,899	1,28,44,799	6,64,71,563	10,63,62,261
1862-63	2,19,15,689	1,30,00,000*	9,95,92,005	14,45,92,000

* Estimate

and since the period included in the above calculation, say from the 1st May to the 31st December, about Rs 6,25,00,000 have been imported into Bombay alone If the American war proceed—and certainly there is not at present any indication whatever of its close—we shall continue to draw from Europe even larger quantities of silver than at present, and from the wide distribution of profits throughout the interior, amongst that class especially which has always been the most insatiable absorber of the metal, very little of this will be permanently added to the circulating medium of the country, but it will in large part be engulfed in secret hoards, or melted down into bangles and other native jewellery

exceeds the annual production of the world.

Now the silver mines of the world produce, in the aggregate, annually, only about ten millions sterling, so that India is now taking, and to a large extent absorbing, more silver annually than the whole world produces. Without therefore, taking into consideration the future exhaustion of mines the result of such a drain of this metal from Europe is quite clear and it is already beginning to be felt Silver must become scarce, the home markets must become unable or unwilling to supply it, Banks must raise their rate of discount in order to check exportation, the value of silver must considerably advance, and the rate of exchange become permanently unfavorable to remitters from Europe The rise in the value of this metal has already nearly swept away the whole of French silver currency to the East. French coin contains more silver than our subsidiary English currency, and it has been more advantageous to export it as bullion than to use it as money The only silver coin now remaining in France, in fact, is that which by wear and tear has become depreciated. A further advance, by no means improbable if the present demand be considered, would affect English silver coin precisely in the same way, and we may yet have to melt down the silver currency of England to replenish that of India

Scarcity will disturb our monetary standard.

Scarcity and a steady and permanent advance in the price of silver, both of which contingencies appear inevitable, will decrease the amount of our circulation, the natural consequence of which would be that the reduced currency would have to circulate the same amount of commodities as before, and prices, therefore, would be reduced in the same ratio

The great desideratum, however, of any monetary standard is that it should be as little variable as possible, and a general fall in the price of commodities is far more prejudicial to a community than a general advance Every sudden fluctuation in value, in fact, affects the conditions of every monetary arrangement If, for instance, prices rise fifty per cent, every man with a fixed income finds that it is only half as valuable as it was, and, on the other hand, if prices fall fifty per cent., every man bound to pay any fixed sum is obliged really to provide double the amount

The rise in value of silver as objectionable as the fall in gold

The depreciation which has taken place in the value of gold, in consequence of the discovery of the mines of Australia and California, has been made an argument against the adoption of a gold standard This is of course based upon the principle that that standard of value is best which is least variable. I shall consider this point hereafter more fully, but I may here remark that the actual and probable enhancement of the price of silver is, on the very same ground, quite as strong an argument against a silver standard as any fluctuation of the standard, and consequently of prices, whether up or down, is equally objectionable.

Our special demand for silver is compulsory

The demand of India for silver, however, which causes this enhancement, and absorbs annually so large a quantity of what is now the dearer and scarcer metal, does not arise from any special predilection for that metal, but from the fact that we have a silver standard, and an extremely inconvenient and bulky silver currency. The demand thus, in a manner, artificially created, has increased and will increase with the development of India to a pitch that will drain Europe of silver, derange the currency of all countries possessing a silver standard, and probably affect, if not destroy, the subsidiary coinage of England herself. It is a demand arising from no special expediency, but, on the contrary, is extremely injurious and inconvenient to India, and it will likewise cause inconvenience to almost every other country If the standard were changed, quite enough of silver would still be imported into this country, for manufacturing purposes, to prevent any material fall in its value, but we should not uselessly, and by a partially compulsory demand, absorb it in such large quantities, and extravagantly raise its value

Consideration, therefore, for the general convenience of the world, as well as of India, I submit, favors the proposal to change our standard from silver to gold. As the metal which contains most value in small bulk, gold has special claims and as it has been found that the cost of obtaining gold, and, consequently, the cost of gold, varies less than that of silver, it is on that ground likewise preferable as a standard There are other reasons, however, for which I would venture to urge the adoption of a gold standard Prior to the discovery of the mines of California and Australia the annual production of gold amounted only to about five or six millions sterling During the ten years since the opening of these new sources of supply, however, it is estimated that 150 millions sterling in excess of any former decade have been added to the stock of the world, and the annual production now amounts to about twenty five millions sterling A considerable portion of this increased production is neutralized by expanded commerce and industry but Political Economists are pretty well agreed that the excess has depreciated the value of gold. The double argument therefore of scarcity of silver and abundance of gold, advance in the value of the one and depreciation in that of the other, is, I submit, altogether in favor of the adoption of a gold standard for India The tendency of the East to absorb the precious metals would be a mitigated evil if diverted from dear silver to cheap gold, and in fact, our demand would probably re-adjust and steady the disturbed balance of the precious metals. The present large production of gold would not be more than sufficient for the wants of the world, if Indian demand drew from it as it now does of silver, so large a portion as twelve millions sterling Indeed the great gold discoveries of late years could not have been more opportune being made just at a time when the rapid development of India's commerce has outstripped its circulating medium. If the annual production of gold were now as it was so short a time ago, only about five millions, the adoption of a gold standard and currency for India might have been unwise and objectionable, but now that the production has been so largely and suddenly increased, and is still increasing the introduction of the gold standard could not but be generally advantageous, steadying the price of gold on the one hand and of silver on the other

The abundance of gold an argument for its adoption as the standard in India.

Our silver currency however entails positive loss upon India. We are in a manner constrained to exchange our commodities for silver, the only metal which

We are forced now to buy the dearer metal.

is a legal tender in this country. Now, silver being dearer than gold, we are thus forced to buy the dearer and scarcer metal, and prevented from taking that which is relatively cheaper

and prevented buying gold, which is cheaper

With a gold standard and currency, England might advantageously for herself, as well as for us, pay us for our products in gold from Australia, unburdened, as at present, with the charges of transmission to Europe, of exchange into silver, and of transport overland to India In fact, we are, by the necessity of this circuitous mode of circulation, virtually prohibited from commercial intercourse with markets at our very door. We are prevented from importing gold direct from Australia materially cheaper than we can obtain silver Calculating the actual charges upon gold from Australia to England, and expenses there, at five per cent, and the charges thence overland to Bombay, and till it can be converted into coin, at five per cent more, it is at once evident that we could import gold much more advantageously direct from Australia The charges from Australia to Bombay being estimated at three to five per cent, we should thus secure the metal five to seven per cent below what we now pay for importations from England, and still more below the cost of silver purchased with gold, sent round by London, from Australia

The exclusive silver standard prohibits direct trade with Australia,

It is an obvious fact that if we obtain money cheaper, we should obtain all other imports cheaper also, and it is not absolutely necessary, in order to obtain gold bullion at a cheaper rate, that we should have a direct demand for our commodities from Australia There is quite sufficient demand for them in England alone, which exports largely to Australia, to obtain all the gold we want in exchange, actually, though circuitously, from the mining country The demand for gold which would arise from its adoption as a standard in India would be the greatest stimulant to the creation of a direct trade with Australia The resources of India are only now beginning to expand, and so much wealth is now distributed throughout the country, that, even after the cessation of the present extraordinary demand for cotton, our trade will continue to increase, and flow through numerous channels The manufacturing industry of India will certainly be largely developed With the freight and heavy charges on cotton to Great Britain, and equally

heavy charges upon goods outward again, as a margin at credit, India may well be able to produce the lower qualities of cloth, and the lower numbers of yarn, so as to undersell England. Is it too much to say that India may, in the course of some years, be able to export such goods to Australia, amongst other commodities, in exchange for her gold? Every enlightened statesman, overlooking the paltry and unmeaning objection of supposed injury to the manufacturing interests of Great Britain, would rejoice to see that day, and would certainly desire to open out in this, or any similar way, the resources of our Indian Empire So long as we have a silver standard, however, we labor under so great a disadvantage in trading with neighbouring countries, that it is nearly prohibitive Mr Laing expressed a decided opinion on this point in introducing the Currency Act of 1861 He said that "it seemed "to him a pity to enact that, for all time to come, in transactions between "countries such as Australia and India, an Australian merchant should "not be able to pay for a cargo of Indian rice without resorting to the "round about and expensive process of sending his Australian gold to "London, thence to France or Germany to buy silver, and finally send "that silver overland or round the Cape to India"

and will repress the industry of India.

Mr Laing and the Select Committee on the Bill, of which your Excellency was a Member, therefore, "thought that it would be a considerable "advantage to provide for the possible application, in India, of the same principle "as regards gold as is applied in England in "regard to silver" They consequently granted power to issue "up to "one-fourth part of that portion of the circulation of India which is "represented by actual coin or bullion, against gold coin or bullion at "a rate to be fixed by the Government from time to time and not altered "without six months' notice." The Committee hoped that by thus fixing a *minimum* value, at which gold should be received at the Government Treasuries, its "superior convenience" and "its adaptation to native wants,' might, in course of time, lead to the introduction of a considerable auxiliary gold currency This important amendment has for some inscrutable reason or by mere oversight been allowed ever since to remain a dead letter, and even this timid experiment

Mr Laing and the Select Committee provided for the possible introduction of an auxiliary gold currency

but their "important amendment" has been made a dead letter

has not yet been tried. I trust that your Excellency will at least urge that this clause, which you yourself were instrumental in framing for the evident advantage of the country, may at once be brought into operation.

That India has long been prepared to avail itself of this privilege, is evident from the importations of gold which have been received for some years. The following is a Statement of the amount imported during the last six years into Calcutta, Madras, and Bombay —

Years	Calcutta	Madras	Bombay	Total
	Rs.	Rs	Rs.	Rs.
1857-58	1,00,71,277	46,34,989	1,53,35,797	3,00,42,063
1858-59	2,96,29,566	32,37,936	1,97,32,307	5,25,99,809
1859-60	1,10,48,282	51,60,740	2,86,07,418	4,48,16,440
1860-61	1,26,36,424	74,23,585	2,50,32,294	4,50,92,243
1861-62	1,70,42,188	94,41,201	2,85,39,425	5,50,22,714
1862-63	2,26,95,370	1,00,00,000*	4,02,25,794	7,29,21,164

And from the 1st May to the 31st December, since the above returns, the importation of gold into Bombay alone amounts to nearly three and a half millions sterling

The silver standard forces India to be the sink of the precious metals

We owe it to our silver standard and currency, I maintain, that India has so long continued the "sink" of the precious metals Absorption is to a very great extent forced upon her, and it is by no voluntary short-sightedness as a commercial country that so much of India's capital is made unproductive. It is a patent fact that we purchase

* Estimates

our silver so dearly, and receive it burdened with so many charges, that it is impossible to sell it otherwise than at a loss We are, as it were, the last receivers of the commodity after it has paid tribute to the rest of the world. We cannot re-export it without actual loss and there is therefore a positive inducement to absorb If, however, gold were our standard, in lieu of being the last, we might become the first recipients, and might profitably distribute instead of absorbing it. We should be placed on the highway by which gold will travel to Europe, and no longer be the unfortunate 'sink' in which the precious metals, after making the circuit of the globe, are dragged down by their weight of charges

Gold is the only efficient basis for a paper currency for India.

Gold alone can enable a paper currency to fulfil its legitimate purpose in this country It is only by liberating the precious metals from the duties of circulation and enabling a country to make them reproductive by exportation as commodities, that a paper currency can legitimately benefit any nation. Supposing, then, that our paper currency were so far successful as to set any amount of silver free for this purpose, India could not avail herself of the opening, because silver costs too dear for re-exportation. On the other hand, gold received from Australia, and thus rendered available, could be profitably exported either on a calculation of its actual cost, or its relative out-turn in comparison with other commodities. So long, therefore, as silver is maintained as the standard in India, our paper currency will continue to be delusive and unprofitable, and a wise system of financial administration deprived of all healthy vitality

It would otherwise also check absorption.

A gold currency would probably in another way check, or at least retard, absorption Most of the 200 millions of the population of India aid more or less, in withdrawing coin from circulation, but a vast number of these can only do this by small instalments. Rupee follows rupee but slowly into the secret hoard, although the sum total of petty abstractions from the circulation is an important amount The intermediate sums, however, between gold coins could only be amassed in subsidiary silver token coins, of limited tender rated somewhat above their intrinsic value and the gold would continue meanwhile in circulation Such a gold currency would now be peculiarly suitable for India. The distrust and ignorance which reduce a currency note, with

its promise to pay, to the level of waste paper, would appreciate a gold coinage, with its absolute intrinsic value in a condensed form, and the desire to possess so convenient a coin would probably attract forth again much of the hoarded silver which is now as effectually withdrawn from circulation as though buried in an undiscovered mine

The original adoption of a silver standard was an error,

Mr. Wilson, bent wholly upon the introduction of a paper currency, was unwilling to weight it with any plan of a gold standard and coinage for India, but he frankly said, "if we had to begin *de novo*, no one will "doubt that, 'as in England, to adopt a gold standard, supplemented by "silver tokens of limited tender, as subordinate coins,' would be a much "preferable plan to that which we now find in use" His main objection to its present adoption, however, was, that a silver standard having been established in India, and under it large liabilities contracted, we could not in good faith now change the standard, and pay public creditors in any other, and perhaps relatively cheaper metal.

but it is never too late to mend

We have not yet, it appears to me, seen much more than the mere infancy of our Indian Empire, and certainly its resources are still in their first stage of development We have surely not yet advanced so far, then, that a false step cannot be retraced, and a system sufficient for the early requirements of our commerce replaced by one more suited to its maturity, and to the altered circumstances of the world. It seems to me absurd to argue that the country having once adopted a standard is pledged to maintain it for ever, regardless of subsequent consequences. All changes of financial administration involve more or less of difficulty, but if the question, how a gold standard is to be equitably introduced into India, be in some particulars complicated, it is quite capable of solution, and no more appropriate time than the present could be found for the attempt

The public creditor must not be wronged, but neither should the country be made to suffer

The funded debt of the country was contracted in silver, and Mr Wilson argues that it must be liquidated in silver If, however, it be right to protect the public creditor from any loss which might arise from the payment in gold of a debt contracted in silver, it is equally right that measures should be used to protect the country from the loss which must arise from the excessive enhancement in the value of that

metal When Government created these debts, Indian trade was not in its present active state, and the demand for silver had not increased to the enormous extent which it has now reached If this overgrown demand continue, silver cannot fail still further to rise in value, and from the defects of a system no longer adapted to the wants of the country we may, therefore, eventually have to pay off these liabilities at a still greater disadvantage than at present. It is very desirable, therefore, upon this score alone, that protective measures should be adopted If Government invited tenders for loans to be repaid in gold in order to liquidate the debt contracted to be repaid in silver, there can be little doubt that the transfer could be effected upon favorable terms Even if debts contracted under a silver standard could not be transferred to a gold standard without some slight loss, I submit that it could not be greater than that which the country must generally suffer from the maintenance of the present silver standard, and the consequent advance in the value of that metal It would be better far, it appears to me, to incur such a loss at once than to continue to cramp the commerce of the country by an altogether inadequate currency

Mr Wilson's objection theoretical, and a change of standard no breach of faith.

I venture, however, to affirm that Mr Wilson's objection is much more technical than real, and that the change of standard does not involve any breach of faith whatever towards the public creditor Let us admit that the public debt now existing was contracted under a silver standard, to be liquidated, according to the strict letter of the contract, in the same standard No one will assert, however that the contraction of these debts involved any pledge for the indefinite perpetuation of the monetary system then existing or deprived us of the right to make future changes in the financial administration of the country The general weal of this great Empire, and no mercenary desire to take unfair advantage of the public creditor, now renders a reform of the currency necessary, and if, in order to fulfil the letter of the contract, Government must first pay off its debts in silver they are certainly then at liberty to change the standard to gold Now, what is the utmost which those who receive back their silver loan in silver can do? They must exchange it for commodities, or for gold coin and they will receive simply the present equivalent of their silver It appears to me therefore that the payment by Government of these debts in the amount of gold which their amount in silver could

purchase, would fulfil the full spirit of the contract, and leave no real ground for complaint If precedent be required, it is not wanting The very same change of standard was made in England, with a public debt greatly exceeding our own, without causing dissatisfaction, or drawing forth any remonstrance from public creditors; and still more recently, America depreciated her coinage, and virtually adopted a single gold standard, under similar circumstances, with the general approval of the country. The transfer of the open rupee loans to an equivalent amount in gold would not, therefore, I submit, entail any hardship, and I believe, as I have before stated, that either the holders of these debentures would be quite willing to accede to the transfer, or that abundance of money could be obtained, upon favorable terms, under a gold standard, to pay off the liabilities for which silver would be required.

A similar change was effected in England and America

It could only be by a great subsequent depreciation of gold that any loss to these creditors could ensue. The transfer of the debt from silver to gold, however, would be made after the effect of the great increase in the production of the metal has been fully experienced, and after gold has in a manner found its level, and the probability is, that the adoption of a gold standard for India would so completely counteract the increased supply, that no further depreciation could take place.

Loss could only arise from great subsequent depreciation of gold, which is not probable

I feel great diffidence in entering into the details of the scheme of a gold coinage for India, but your Excellency will perhaps pardon me if I venture to make a few suggestions upon this important point Placed as India in a manner is between gold-producing countries and Europe, the first consideration must be to fix the Indian Mint value of gold, so as to preserve a fair mutual equilibrium of value between ourselves, Australia, and England This value, therefore, should not be so high as to render it profitable for Australia to send gold to be coined at our Mints, nor should it be so low as to admit of the advantageous export of our gold coin as bullion to Europe

Suggestions regarding the Indian Mint value of gold.

It is likewise highly important that, as much as possible, a gold coinage should for the present be built upon the existing silver currency, so as to introduce the change with as much regard to private interests as

Regulation of coinage.

may be. I therefore venture to suggest the issue of gold coins similar to the sovereign and half sovereign, and respectively representing 10 and 5 rupees, with subsidiary silver token coins, of limited tender, rated seven to ten per cent. above their real value. The existing silver coin might, for the present, be allowed to continue legal tender to the extent even of 500 rupees and this limit might hereafter be reduced according to circumstances. The new gold coins should be of an intrinsic value which should place them on a safe basis in relation to the old rupees, and they could, by subsequent alteration of the limit of tender, be protected, if necessary, from the effect of any unforeseen fluctuation in value. Possessing, as they do, a well known intrinsic worth, the old rupees would no doubt for the present be freely received to a much larger extent but not being replenished by fresh issues being retired as rapidly as they came into the Government Treasuries and replaced by new token pieces I have no doubt that in a few years they would disappear from circulation and that the change of standard and currency would thus be effected, without any sacrifice disproportionate to the benefit secured

A double standard is fallacious and objectionable.

I scarcely think it necessary to state any arguments against the alternative of a double gold and silver standard to obviate the difficulty of at once adopting a single gold standard as the objections to that system have too often been advanced, and are too apparent to need repetition. In fact under a double standard, there never would really be a double circulation of gold and silver coins, but simply an adoption of that metal which for the time best suited the interest of debtors. The standard would therefore fluctuate between the two to the great inconvenience of the public, and to their continual loss

Mr Laing pronounced the exclusion of gold from our currency to be "barbarous.

I cannot do better, in conclusion than quote the opinion in favor of the introduction of gold expressed by Mr Laing when bringing forward the Bill for a paper currency devised by Mr Wilson, and perfected by himself and the Select Committee "I must say," he declared "that at the time when we are professing to make a reform in the "currency of India, it does seem to me to be what I can hardly call "otherwise than barbarous to introduce a system based upon the entire "exclusion of that all pervading metal whose superior convenience is "fast making it the sole or principal medium of all the most civilized

"nations of the world" "Gold," he recognised, "would be a universal "medium of exchange from one end of India to another, whereas a small "note circulation involved the necessity of different issues in different "circles, and the risk and trouble of keeping an adequate reserve of specie "at numerous points" Holding these views, he refrained from bringing forward any positive measure for making gold a legal tender, in great part because it would have given rise to a long correspondence with England, and would have retarded the Currency Act This objection is no longer valid, and I trust that what he did not scruple to call a "barbarous" system may not be perpetuated from any further considerations of official expediency

Importance of assimilating our currency to that of England

No doubt, as Mill has suggested, in the advance of political improvement, all countries will one day have the same currency At least it is exceedingly desirable that the currency of the Indian Empire should be assimilated to that of England and her colonies, and that countries so closely connected in Government and mutual interest, should no longer be separated so widely by a totally different monetary standard The adoption of the same standard would be a great advance towards a universal currency, would abolish much inconvenience and complication of accounts, promote commercial intercourse, and knit the Empire more closely together by the bond of a common financial system

I trust, therefore, that your Excellency may be pleased to promote the attainment of a consummation so devoutly to be desired, by bringing this subject, supported by your very weighty approval, before the Government of India and the Secretary of State for India, and that India may hereafter owe to your Excellency's administration the important advantage of an adequate gold currency based on the standard of England

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From E. H LUSHINGTON, ESQ, *Secy to Govt of India, Finl Dept, to Offg Chief Secy. to Govt of Bombay,—No.* 1516, *dated* 18*th March* 1864

I am directed to acknowledge the receipt of your letter No 252, dated 7th March 1864, and to state that the subject of a gold currency for India is under the consideration of Government.

From A. D ROBERTSON, ESQ, *Offg Chief Secy to Govt. of Bombay, to Secy to Govt of India, Fnl. Dept,—No* 308, *dated* 19*th March* 1864

With reference to para. 3 of my letter of the 7th instant, No 252,* I am directed to transmit herewith a copy of His Excellency Sir William Mansfield's Minute, dated the 8th idem, on the subject

* Forwarding the Memorial of the Bombay Chamber of Commerce, with copies of the Minutes recorded by the Members of this Government, on the introduction of a gold currency into India.

MINUTE

BY

HIS EXCELLENCY LIEUT. GENL. SIR W. MANSFIELD, K.C.B.,

DATED 8TH MARCH 1864.

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CHAPTER I

CHA
I

The Memorial of the Chamber of Commerce should be supported —Mr Wilson's opposition to a Gold Currency in India.—Necessity of answering his objections

The Memorial of the Bombay Chamber of Commerce, praying for the introduction of a gold currency into India, is, I trust, the beginning of a reform which is much required by the circumstances of the country.

When we consider all that may be said in favor of the reform, and how little can be asserted against it, a reasonable expectation may be entertained, that the prayer of the Memorial will not pass unheeded by the Supreme Government and the Right Honorable the Secretary of State for India.

It would be difficult to put the facts which tell on the side of the proposed change, more cogently and clearly than has been done in the Memorial under consideration There is, nevertheless, the weight of a great authority in opposition, which must be removed by argument, before we can hope that success will attend the movement of the reformers.

That authority is the opinion of the lamented Mr. Wilson, who died at Calcutta as Financial Member of Council in 1860. This gentleman, distinguished alike as a financial statesman and a great economical writer, rested his objections to such a reform as is now asked for, on three grounds —

Firstly—That the change to a gold currency would involve breach of faith with the creditors, who had contracted their obligations in the form of silver.

Secondly—That it was opposed to much of European precedent and example.

And thirdly—That seeing that silver was now the legal tender, he could perceive no particular good in change, although he admitted that it would have been an advantage to the country, if gold had been the original legal tender instead of silver.

A careful perusal of Mr. Wilson's Minute of 25th December 1859 "On the proposal to introduce a Gold Currency into India," has convinced me that the grounds of his opinion are in point of fact fallacies, which are incompatible with the development of the people, and with a

feeling of equity towards all classes, the poor as well as the rich, the indebted (in which I include the State) as well as the capitalist and the owner of land

That Minute has convinced me that while Mr Wilson allowed his imagination to be excited by the possible depreciation in the value of gold as the effect of new gold mines might be still more felt he over looked the corresponding circumstance, that if as he expected, gold throughout the world should fall still more in value than it had done when he wrote silver if stationary in the amount produced, would pro portionally rise He thus neglected to consider, that as a means of appreciating value silver was in truth as uncertain as gold this being true both with regard to new contracts hereafter to be made and to those of ancient date

The perusal of his speeches and Minutes on Indian Currency has further persuaded me that Mr Wilson s views were formed without suffi cient attention to the social condition and the habits of the great masses of the people of India.

He was thus led into error, both with regard to what it is possible to effect in the execution of currency changes and to the wisdom of reforms to the general entertainment of which the popular mind has not yet been sufficiently educated.

It has appeared to me therefore, to be a duty for some one to examine Mr Wilson s Minute and his views on the subject of a Gold Currency for India according to the principles of Political Economy of which he has so often been the able and uncompromising exponent.

The necessity of the investigation which in the public interest thus seems to me most urgently required has apparently not occurred to any one else in this country I proceed therefore, with much diffidence to take the duty on myself

In deference to the great authority to which I find myself opposed and to the importance of the inquiry I have been obliged to take nothing for granted, but to follow Mr Wilson s own example, when in a series of admirable articles he criticised the Bank Act of 1844 In short at the risk of a charge of tediousness I have felt it incumbent on me to consider the principles on which rests the idea of a Currency

These being kept steadily in view it has been sought to apply them in answer to Mr Wilson s Minute, and in support of the demand which has now come from the Bombay Chamber of Commerce

CHAPTER II

The economy of Gold as a medium of Currency as compared with Silver—The practical consequence

CHAP. II.

A Currency is the machinery of domestic exchange. So much of the medium as is absorbed in the metallic currency of a country is the material of the machinery.

The precious metals absorbed in a currency are so much of the capital of a country which is devoted by the community to save it from living in a state of barter. The profits of the capital so employed return in the form of convenience, and the saving of labour and time.

The material or metal may be economised by the use of paper in various forms, but it being admitted that paper must always be convertible, it is sufficient to say that the metallic currency is the basis or material of the machinery by which the operations of modern commerce are rendered possible.

It would seem, then, that when a community determines what shall be its metallic medium of currency, it should carefully consider the conditions of economy which it may present, as compared with other media.

Thus, if a given medium, as being of more value, be more portable than another, it is preferable on such an account. Copper is better as a currency medium than iron, silver than copper, gold than silver, on this ground alone, according to the advance made in a community towards wealth, and in the consequent increase in the number of transactions, to which it daily commits itself So long as a community is very poor, the rude currency of iron or copper may suffice for its wants. A silver coinage is the indication that the community has passed out of the ranks of poverty.

When it is discovered that even to carry about the increasing masses of silver has become an intolerable labor, for which daily commerce in self-defence must find a substitute, we may be sure that a community has made an immense stride towards the possession not only of moderate but of great wealth.

It is observed in such circumstances, that a more valuable medium of daily exchange should be substituted for the silver, and gold, unless prevented by legal restrictions, is sure to advance, to substitute itself for the silver, and to perform the duties hitherto discharged by the displaced silver.

But there are other reasons besides those of mere portability, all of which tend directly to a like result. Thus, whenever a large quantity of the precious metals is broken up into coins, and is constantly going through a course of circulation, a certain wear and tear or waste of the metal so employed takes place in other words, an immediate loss of the National Capital

If a coin of one metal (gold) is equal to ten coins of another metal (silver) assuming that a like degree of purity, hardness and durability is mechanically given to both, it would seem at first sight that the degree of wastage in both would be exactly proportionate and therefore that the results of loss to the national capital on this account would be equal. But this is not so for the following reason the coin of greater value is not so often turned over in the affairs of petty commerce as that which is of less value and consequently the former escapes much of the wear and tear which attends the latter

Again the coining operations of the Mint, involving assay and manufacture, are reduced in amount and therefore cheapen coin in an inverse ratio to the value of the coined medium.

Thus if a sovereign be equal to ten rupees in intrinsic value, it is many times cheaper to coin gold for general use than it is to coin silver The mechanical economy would be considerable if it afforded merely a sufficient quantity of coins for the daily purposes of domestic exchange

But the reserves of the precious metal established as legal tender must be in great measure coined to meet drafts in accordance with legal demands. Consequently a larger coinage must inevitably take place than would actually suffice for daily use. This is still more enhanced by the fact of the exportation of coins in the form of a commodity of trade merely on account of their value as such, and without respect to their being a monetary element in the country they are leaving

Such considerations are particularly important in India, where so much of the coined medium is retained in private hands owing to a marked peculiarity of eastern habits. In consequence of this a vast number of millions of rupees is kept in reserve by the people on which the minting labor has been expended.

We have therefore in a gold coinage as compared with a silver coinage three elements of cheapness, which cannot fail to have a marked

effect in asserting the superiority of gold as a circulating medium and one of metallic reserve.—

1st—Its superior portability.
2nd—Decrease of wastage
3rd—Economy in mintage

Now, if we accept the definition of a metallic currency, that it is a certain portion of the capital of a community which is abstracted from the whole without immediate return of any kind, for the purpose of enabling the community to pursue its business; in other words, to employ the remainder of its capital in the daily commerce of life, we cannot escape the conclusion that that medium should be chosen to perform the particular functions of currency, in which mechanically it can be done most cheaply In this we merely follow the same rules of reasoning and practice that we apply when we substitute animal draught for porters, and the steam engine for horses.

It is particularly necessary to bear this in mind, to recollect that a currency is only the means of transacting business, that it is a machinery in the economy of which all men are interested, and therefore that the medium has to be considered on account of such merits, just as we consider the relative merits of steam and horses. This view may be called the mechanical one It is very liable to lose the attention which it deserves, because of the difficult problems which come across the investigator, and of the manner in which the value of the precious metals as commodities occupies the mind, to the preclusion of the mechanical facts of their employment, and of the cost of those facts Hence a great confusion arises Even acute thinkers are thus apt to forget the important circumstances which have been stated, to overlook the mechanical economy of using one metal (gold), as compared with another metal (silver) Nevertheless, other conditions of relative value being preserved, this very mechanical economy would be quite sufficient to drive the lower metal generally out of circulation, were circulation allowed to adjust itself without the intervention of State laws or other restrictions When arguing against the introduction of a gold currency for India, the late Mr Wilson omitted to give these important considerations the weight they deserve On the contrary, while he allowed that a gold currency would be more convenient than a silver one, he did not also add, as he should have done, that as a machine of daily commerce, a gold medium is much cheaper in the working than a silver one can possibly be This fact should not have escaped a practical economist of

his distinction It is perhaps to be regretted that an authority of his calibre was lent to an incomplete statement on this very important part of the subject.

Having thus established the mechanical superiority of gold over silver as a medium of currency, that is to say, that it is superior as a means of machinery in point of economy to silver, it would seem to follow that the State, in which term is conveyed the inherent governing power of a community is bound to cause the more valuable metal to be substituted in the currency for the cheaper one, as soon as the community has become rich enough to render such a change desirable for the greater convenience of daily commerce

It will hardly be denied that the State should guard itself according to the manner in which a trading firm or corporation would proceed in defence of the interests of its constituents. Such a firm or corporation having a given function to perform, which requires the absorption of a certain portion of capital feels bound to economise the means of action *according to the improvements which may take place, and to the progress* made by invention and experience. In this sense, to revert to our old illustration it substitutes animal draught for porters and steam engines for horses. It is not held that porters who have to seek another employment have any grievance, and we none of us can forget how fruitless were the jeremiads of the old anti railway party on the destiny of stage-coachmen

In the same manner, if the *State* finds an old official machinery which does not suit the times such machinery after more or less discussion, is invariably made to give way to adaptations, possessing greater convenience, as being more suitable to present exigencies than what is cumbrous, or has become obsolete in form.

The same rule and practice are precisely attributable to a currency when considered in its character of machinery The holders of an old and cumbrous medium can no more plead exemption from the effects of progress and development, than porters who find themselves supplanted by horses, or the stage-coachmen who have given way before the steam engine

The actual holders of the medium are also a portion of the community which benefits at large, by an economical reform of the currency, or the machinery by which *transactions are carried* on *The holders are* generally interested in the measure of reform just as the stage-coachman

is interested in the general improvement of the country by the introduction of the railways, and in the possibility thereby afforded to him of securing his existence somehow or other, though perhaps not on the coach-box. CHAP II.

In like manner, by having an economical currency given them, the holders of the old medium, though at first sight they might seem to lose by its demonetisation, whether with or without the aid of law, actually gain in the end by the greater use they are able to make of it as a commodity of trade.

This ultimate gain to all classes we have seen both in France and in the United States.

The Government, then, being considered as the trustee of the community, is bound to afford to that community the cheapest currency or machinery for conducting all the transactions of domestic exchange and deposit which can be devised by human skill and ingenuity. The obligation is one from which the State cannot escape.

This cheapness being the interest of the whole, must be preferred to individual interest if the two be found to run counter to one another.

There is no reason to believe that any such antagonism exists, it being found that any reform or measure which reacts with favorable results on the whole body of a nation, is beneficially, however indirectly, experienced by all the individuals composing it. It is essential to bear these somewhat trite maxims in mind, on account of the fallacies by aid of which it is sought to be maintained, that to reform the metallic currency of India, by substituting a gold for a silver one, involves breach of faith with those who have contracted obligations in the form afforded by the latter medium, or who happen to be holders of it.

The attempt is made to put out of sight the character and mechanical functions of a currency, the cost of the performance of these functions, the means of economising the cost under the admitted necessity of maintaining a due metallic reserve The other character of that reserve is then alone considered, viz, its character as a commodity. That character is, of course, disputed by no one, but it is but to state one side of the argument when it alone is brought forward, and the other character (viz, of machinery) maintained at the cost of the community, is hidden from view

In confirmation of what has been advanced, it may, I think, be held to have been shown by the practice of wealthy nations, that gold is a more convenient means of currency machinery than silver, when transactions are sufficiently numerous and when the metallic means are sufficiently large to render economy of porterage, wastage and coinage, an element of calculation both to the State and to the individuals of whom the currency wants are concerned, England, France, and the United States are sufficient examples

This being so, we must be convinced that as a matter of administration, on the score of economy, we should substitute a gold currency for a silver one for the accommodation of large transactions, or what may be in excess of the wants of very petty dealing, in countries which have reached the level of wealth and commercial activity attributable to such nations As regards the application of a gold currency to India, we have then to ask, is she entitled to be counted among such nations? Are her transactions of a character are her needs on account of means of reserve and circulation are the expenses of her Mints and of waste of capital sufficient to warrant a change similar to that which has been found in the United States, France, and Great Britain?

CHAPTER III

The Standard of Value.—Does a change of the Standard involve what is called a Breach of Faith, either with the Public creditor or the Private one?

Before proceeding to consider the question of a change in what is called the "Standard of Value it may be well to come to an under standing on the exact meaning of the phrase. Confusion is apt to arise from the misappreciation of terms and the public sometimes deceives itself, and is frightened accordingly by the misuse of words and phrases

Such a confusion, perhaps exists at present with regard to the phrase to which attention is invited In some minds the so-called "Standard of Value is mistaken either for value itself or for the regulator of value It is, in fact a particular metal or commodity in which the law of a given country declares that a currency shall be maintained

That particular metal comes thus to be the expression, or means, of the measure of value This is a very different thing from being the measure itself, or from the commodity chosen as the standard of value

having any intrinsic virtue by which it can regulate value, or obtain value in any manner not common to other commodities

We are taught that there is no real value but the cost of labor which is thrown into production,* transport, and delivery However that labor may be paid for, whether by the commodities it produces, by other commodities, or by their representative in the form of money, on the cost of it depends the value of the commodity produced It makes no difference whether the commodity be gold or silver, corn or oil, stone or timber In the cost of labor must be included wages in every form, the expenditure of material which has been produced by previous labor, the preparation of the soil, which is also the result of labor, at whatever former period it may have taken place, although now it may be paid for under the denomination of rent.

Thus is it that by the cost of labor value is determined It is measured by the exchange of one commodity against another, as we say that an ounce of gold is worth a ton of iron, the cost of producing the ounce of gold being the equivalent of the cost of producing the ton of iron, or the labor on account of the ounce of gold being the equivalent to the labor on account of the ton of iron

It is evident that what is called the standard of value cannot affect the operations with respect to value, viz, its creation by the application of human labor to matter, its determination according to the limits of the cost of the labor so applied, its measurement by the exchange of one commodity against another, except in so far as the commodity furnishing the standard appears as an article of trade, and not merely as the means of measurement

We must therefore carefully distinguish between value with the foregoing conditions, and the legal notion conveyed in the term "Standard of Value," as applied to a currency, which declares what particular metal shall afford expression of the measure of value, for the convenience of the community Otherwise we may be led into the mistake of forgetting that the metal which has been selected for a legal tender, has on that account a two-fold character, as has been already illustrated, viz, that it is the basis of a currency, or the material of an artificial machinery by which the rude operation of barter has been superseded, besides being also an exchangeable commodity of trade

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* The cost of *production*, as here used, includes the rent of land Waste-land, on which labor has not been expended returns no rent

AP I. In the former character, a metal when made into coins measures market value, in other words, affords the formula of price, whereas its own value as a commodity is determined by the cost of its production as compared with other commodities.

If this distinction between the two characters of the metal, chosen by the community for the expression of value be not resolutely kept before us, the one, *viz*, that of *machinery* being artificial and created for our own convenience, and the other viz., its own value as a commodity, being natural, we may expect finally to fall into the error of attributing an occult virtue to a condition of currency, which is liable to change with the circumstances which may render it inconvenient.

This seems to be a not inaccurate description of what often takes place in the consideration of currency questions. It is not improbable that the phrase 'Standard of Value has more than once been the cause of the confusion and the errors of reasoning which have arisen, from them.

Objection is thus taken to a change from the legal standard of India (silver) to a gold one, because large liabilities have been contracted by the State under the former and it is maintained that as a matter of good faith, as it is called the public creditor might reasonably demur to being paid under any other

If such reasoning were to be admitted, it can but be on the ground that silver is viewed as a commodity of trade only and that its artificial character of being the material of the currency machinery, chosen either expressly or fortuitously according to a shifting expediency, is forgotten.

We must not, however permit ourselves to forget the artificial condition Having in the progress of civilization committed ourselves to a system of 'Money' in supersession of one of Barter that is having organized currency in various forms having constructed a machinery by which the system of 'money' may be carried into execution, we cannot permit ourselves to revert to a system of barter, in the one item of silver, which is not tolerated in any other commodity Otherwise we should destroy the very ground on which a currency rests, viz., that the so-called standard of value is but the legal means of expressing how value is to be measured, and does not itself affect value

In effecting a loan, the State borrows value as represented by a certain number of coins.

It does not borrow a special commodity of trade, or contract to return that same commodity, except in so far as it is the representative of value. CHAP. III.

Thus the money it seeks represents a given value. It actually contracts for that value, and receives the money which represents it in the legal tender of the day. But it is because money is the representative of value, and that the legal tender is merely the form in which the money is clothed, that the State so receives the money in gold or silver, as the case may be.

The State does not, and cannot, bind itself never to change the character of its legal tender, or expression of measure, which it looks on as liable to change like other institutions Its engagement deals with the value of the loan, and not with the special expression of the measure of value, which in equity cannot be a matter of consequence either to the lender or the borrower, if the idea of currency be fairly maintained, and it be not confused with the notion of the natural character of the commodity, which has been chosen to afford a material of currency or national machinery of exchange. If value be left untouched by the change, if there be no sacrifice of convenience in the mode of repayment, either of principal or interest, if, on the contrary, the convenience of the community be increased by a change in the currency machinery, as caused by a superior portability and economy, it is indeed idle to maintain that there is even a semblance of breach of faith with the public creditor. For if we pay the public creditor the full intrinsic value of interest and principal of his loan, whether in gold or silver, he has surely small ground of complaint. On the contrary, if there is a greater convenience to himself in the fact of receiving, carrying, and guarding a portion of gold as compared with its equivalent in silver, he is clearly a gainer, if the former be substituted for the latter, so far as a currency is concerned

If we paid the public creditor 99 rupees' worth of gold on account of his loan of 100 silver rupees, we should defraud him, and he would be right to exclaim But if we pay gold which is actually equal in value to the hundred rupees, there is no ground on which an objection can be raised with regard to an obligation created after a system of barter has given way before a system of money.

The same reasoning applies even more strongly to all obligations of domestic commerce, in which a currency comes into action, and the

P particular legalised money represents value for the convenience of the community Although some thinkers may have a difficulty in overcoming the exact terms of a State Loan, they cannot find any perplexity when they survey the transactions of commerce it being understood and admitted by all that the given coin or legal tender is simply a device by which the prices of commodities may be adjusted, with respect to their relative market values

The market values are constantly changing, and they require, according to circumstances, more or less of the coin of legal tender in the form of price, but they cannot be affected one way or other by the character of the legal tender, excepting the consideration that an economical improvement in the currency cannot but effect a certain reduction of charge to the community, as we see similar effects from improved machinery in other matters

The very fact of the existence of a money system demonstrates that a merchant does not contract to receive his dues in one particular form but in any form which may be most convenient to the community of which he forms a part, provided only that he does really obtain those dues, in other words, that the value to which he is entitled is not depreciated with respect to the actual present state of things

The argument may therefore be summed up as follows —

The State not being bound for ever to adhere to a given tender it follows that loans made whether on account of the public or of individuals, and that all transactions of domestic commerce, must follow the rule of any change in the mode of measuring monetary obligations which may be demanded on account of the general convenience provided that that change does not prejudice real value that is that the value of a new legal tender is at the present absolutely equal to that of the old one or in other words that the currency is not depreciated

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CHAPTER IV

Further exposure of the fallacy contained in the Breach of Faith argument urged against the substitution of a Gold for a Silver Currency in India.

In considering the question of currency, it is hardly possible to exaggerate the importance of the conclusion which has been arrived at in the former Chapter, viz., that the State or individual making a loan

in all cases makes a contract for value, and not one affecting the particular commodity in which the legal tender happens fortuitously to exist

The view stated in an opposite sense does in fact abolish the idea of a currency, and reduces us again to a state of barter. It ignores the representative character of money, and depends altogether on the character of the metal composing it, as a commodity of trade.

Thus, to take Mr. Wilson's illustration.*—"If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day, however much wheat may have fallen in price in the mean time, the receiver has no right to complain, any more than the deliverer would have, had it in the mean time risen as much in price. But if the person whose duty it was to deliver wheat, finding that it had risen much in price since the contract was made, sought to deliver barley or some other grain, which in the mean time had become relatively cheaper, the injustice of such an attempt would be plain. But it would be equally unjust, after a contract had been made in a silver standard, to change the standard to gold, because it was becoming more plentiful, and in relation to silver likely to become cheaper"

Now, in the foregoing illustration the theory of a currency is entirely put out of sight, and with that omission is coupled another, that the State in fact borrows value and not a particular commodity

The illustration of the wheat is really beside the question altogether, because it refers only to a system of barter, from which we have been removed by a system of money.

It is evident that when the contract to pay for the wheat was to be completed by offering an inferior description of grain, this could only take place by substituting the real equivalent in value, or a larger measure of the latter for the former.

In the same manner, if gold were now to be substituted for silver, it would be necessary to find the exact equivalent of the two metals as respects weight and fineness, and, in discharging obligations, to see that no depreciation of value took place to the disadvantage of the creditor, according to the state of things as *now actually existing*

But keeping in view the idea of a currency, that it is a machinery for circulation, and the statement of transactions and prices, there is no

* Vide Minute on a Gold Currency by Mr. Wilson, dated December 25th, 1859

good reason why we should be irrevocably bound hereafter, by an accidental form of legal tender which happens to be in existence now Otherwise this would convert the holders of silver, and those who were on the credit side of obligations contracted in a certain form, into future fortunate speculators in a commodity, whereas, when their contracts were made this idea did not enter into the conceptions either of the creditor or the debtor, the expression of the contract in the medium having been assumed solely as the readiest mode of stating the obligation, according to the law or custom of the community, and not for the purpose of driving a trade in the commodity, which happens to have been fixed on as the means of measuring value

If such reasoning as Mr Wilson's were to be admitted, when the question of substituting a cheaper currency for a more expensive one is considered, such as silver for copper and gold for silver the community would be absolutely precluded from effecting any improvement or economy in the working of that particular machinery, organised and maintained by the community at its own charges for the performance of particular functions, which affect alike the State and the individual.

It would be to create a new vested right in consequence of an accident, to bar economy and the progress of development in favor of certain portions of the public to the disadvantage of the public generally in short, it would be to do what has been declared politically and socially wrong and therefore unwise in all the great changes which have been executed in England since the passing of the Reform Bill.

If we guard the public creditor and the private one up to the actual moment of making a change if we guard him from any retrospective operation, we have done our duty towards him But if we legislate so as to give the public creditor and the private one an advantage prospectively, in a sense which was intended neither by them nor the debtor, we then legislate in favor of the creditors to the inequitable disadvantage of the debtors.

Yet if we are satisfied that silver is likely to become hereafter relatively dearer, that is to say, that a change of value is likely to take place by which an ounce of silver will at some future time possibly be worth more than an ounce of silver now is, we are surely bound to consider that the public, including what is called the State, as well as individuals, is made up of two large classes, the creditors and the debtors.

Bearing this in mind, and that all monetary obligations have been created for value, and not for the commodity accidentally affording the legal tender, we are further bound, according to every principle of equity, to consider the interests of the debtors hereafter to the full as much as those of the creditors. We have no more right to increase the value of the debt of the former hereafter, by declaring that for all time their debts shall be paid in coins constantly gaining a higher value than that originally attributed to those coins, than we should have to declare arbitrarily at present, that the dues of creditors shall be discharged in a depreciated currency, with regard to the actual state of things. CHAP IV

It is believed that a Judge in equity would not consider the possible prospective value of advantages which might be speculatively entertained as an after-thought by one or two parties to a contract, provided that no reference had ever been made to such speculative advantages in the draft of the covenant binding the two parties.

The Judge would consider what was the exact intention of the contracting parties at the time the contract was effected, he would insist on the contract being completed according to that intention, with regard to actually existing circumstances and the due interpretation of the latter as affected by the meaning of the covenant, and he would banish from his mind fortuitous conditions not contemplated originally and which as yet have no reality in practice.

If this view be correct, we may adopt it without danger in considering the obligations of the public and the private creditor and debtor, with respect to the breach of faith argument urged against a substitution of gold for silver.

The contract of the creditor being really made for value, must be completed in value as nearly as possible at the present time, but that value is not to be enhanced in the future, because the form in which the monetary obligation was contracted, is likely to become more costly than it is now or when the contract was made.

Yet if it be true that silver is to become more costly than it is at present, owing to the supply being unequal to the increased demand for it in China and India, we should really add to the debts of all debtors, whose debts have been contracted under the denomination of a silver legal tender, were we to declare that this prospective change in the value of silver is to be entirely ignored. Such a resolution would be a

one-sided and therefore an unjust one in favor of creditors, whether those creditors are represented by the holders of the public debt, or by bankers and other private individuals.

On the assumption, therefore that the relative value is likely to be greatly raised—an assumption, however, which must be received with the utmost caution—it would seem that so far from there being a breach of faith in introducing a gold currency in the place of a silver one, we are absolutely bound to do so in justice and in good faith to the public at large, unless we would lay ourselves open to the charge of regulating our measures solely in favor of certain classes, viz., creditors, public and private, who lent value under a silver denomination, and of the actual possessors of silver

It is evident that these classes form but a part of the whole vast public of India.

When we reflect on the argument by which the introduction of paper money is justified and eulogised by all writers on political economy from Adam Smith to the authors of the present day of whom no one has been more eloquent and more convincing than Mr Wilson, it is difficult to repress the feelings of surprise caused by the argument of bad faith as adduced by him

His argument and that of all others in favor of a paper currency, is, that the introduction of convertible Bank Notes on proper terms has the same effect as opening a gold mine in the country to the extent of the relief afforded by the paper currency

Thus assuming that the Bank note currency of the Bank of England is 14 millions in excess of the coin kept in deposit, for the purpose of meeting the liability caused by the convertibility of the notes, so much metal, viz., 14 millions of bullion being released the metal becomes proportionably cheaper in other words money is cheaper, or the same amount of coined money will not purchase so many commodities as it would do were there no Bank notes and were 14 millions of bullion, now set free as a commodity to trade with, absorbed in the British circulation.

Consequently the issue of the Bank notes is a direct disadvantage to the public creditor, who having lent value finds that value depreciated by the fact of money having been rendered cheaper by the artificial

mine dug under his feet. Therefore his 3 per cent. of dividend will not purchase for him so many commodities as it would have done had there been no Bank-note issue.

The like consideration affects all private creditors on account of loans as well as all holders of the precious metals.

We have never heard of the British public creditor being permitted to cry out against breach of faith, because the value of the public debt has been diminished from time to time, by the development and improvement of affairs, and the machinery used in conducting them, including Bank-note circulation

Yet if the argument is worth anything, we must apply it to the introduction of a Bank-note circulation under the law, by which money is rendered cheaper, and the value originally given for public securities is depreciated to the full as much as to any other measure by which a similar result might be produced, such, for instance, as to a substitution in India of a gold for a silver currency, by which the artificially caused extraordinary demand for the latter metal might be checked.

But Mr Wilson could see no evil in cheapening money, or interfering with the value given by the public creditors or retained in deposit by private holders, so long as his own nostrum of paper was only concerned He desired, and it is believed rightly, to introduce paper throughout the length and breadth of India for the purpose of realising vast masses of hidden metal, and thereby cheapening money. Not a word in this about the public creditors or the duty of obligations But there cannot be a doubt, that if he had been permitted to carry out his plans, admirable as they were, and if his expectations had been realised, his operations would have been attended with similar, but far more important results to the creditors in all sorts of obligations, public and private, than he attributes as likely to flow from a substitution of gold for silver on account of the assumed eventual greater costliness of silver as compared with its present value

The truth seems to be that Mr Wilson reasoned rightly when he was discoursing on the merits of his paper scheme, and that he was wrong when he talked about the change of gold for silver as involving breach of faith

He was in the latter instance seduced from his correct principles, by the mistake of attributing to a denomination of value the fact of value

itself, and he substituted the idea of the character of a commodity for the idea of a currency

In the former instance viz. of paper, in which he escaped the difficulty of the commodity, however convertible his paper might be, he remained true to the proper theory of a currency This, as before shown, declares that currency is a machinery for the easier transaction of all the domestic operations of the State and of commerce. The State being thus responsible for working its machinery, of whatever character, as cheaply as possible, and with the greatest advantage and convenience to the community at large is bound to use paper as much as it can be applied with advantage, just as it would turn to its own uses a gold or silver mine which might be found in land in which the State has a private property

But, as already asserted an economical reform of currency by substituting gold for silver, which shall give the community the means of circulation and deposit at a cheaper rate than it has hitherto enjoyed does actually afford also relief not so large but similar in kind to that afforded by the introduction of the convertible Bank note if the latter operation is to present all the consequences promised by Mr Wilson an assumption be it said, which is open to more than reasonable doubt in the case of India.

CHAPTER V

The double "Standard of Value."—In practice a single Standard alone exists.—Illustration afforded by France and the United States.

Having established the exact meaning and function of the "Standard of Value, it becomes necessary to pursue the inquiry, for the purpose of fixing the worth of that much vituperated thing a 'double standard."

It is said that a country has a double standard when legal tender is made of coins in two metals, silver and gold in payment of taxes and debts, a given coin of the one (viz., gold,) being held legally to be the equivalent of a certain number of coins of the other, viz., silver

Metallic money assumes two legal forms. Two metallic media of circulation appear, in either of which obligations may be discharged according to law, either wholly or in part

At first sight, it might seem that under such an arrangement, two means of measuring the value of commodities are then afforded, and that a conflict must ensue between the two to the disorganisation of trade. It is well to ask if this is so

If the two metallic means of exchange were abstractions, like the signs for measuring length or weight, they might be jointly retained as mere means of measurement also No practical inconvenience would result from the use of such two means, but the labor of reducing the one to the other in calculation As, for instance, it makes no difference whether a piece of stuff is measured in French metres or English yards Price follows on the actual length of the stuff, and not on the signs by which that length is represented In the same manner, coins of different denomination, but of the same metal, are reduced from one to the other, according to the value they actually represent, without trenching on any other consideration When we have to deal with things, and get beyond the region of signs, the reality of value must be dealt with also. Thus silver and gold not being abstractions, but exchangeable commodities, beside having whatever functions of representation and measurement which may be assigned to them, follow the laws of supply and demand like all other exchangeable commodities This involves variation of relative value with *regard to one another*, according to the changing demand for them, variation in the means of supply, their conditions of bulk, the cost of transport, waste, and so forth The relative Mint value of the two metals may be struck by law with the greatest nicety, with regard to cost of production and delivery in the country where the Mint is placed, but the vicissitudes of production, and the necessities of commerce, including currency, are ever causing slight variations between the market values of the two

It then becomes a matter of calculation to creditors and debtors, as to which particular metal will best suit their respective purposes, when all such elements of value have been taken into consideration. It will not be forgotten that in these elements are comprehended the considerations of economical machinery already illustrated, through which an actual economy of the national capital takes place Others of a not dissimilar character will be adverted to hereafter.

When two metals are engaged in a currency, the principle displayed in Chapter II comes naturally into operation That metal which asserts

its superior cheapness as the material of machinery, for carrying on the transactions of exchange, excludes the other from circulation.

If a currency in one of the two metals can be carried on more cheaply than in the other the former will be preferred, although the original cost in producing each of the two is the same.

This consideration affects all alike, both creditors and debtors because the precious metals absorbed in a currency are so much of the capital of a country which is devoted without interest by the community to save it from living in a state of barter

The relative value of the two metals, taken as commodities and not as mere means of measurement, is carefully weighed and according to the price of the metals as fixed by the value of other commodities, or we may say by the cost of production as involved in the labor expended for that purpose will the choice be made by the payers of taxes and debts, as to which of the two metals shall be their medium of payment, or in which of the standards payment shall be made

If it be cheaper to the community to maintain a currency in one metal than it is in another when both have been launched on equal terms this circumstance must react on them as commodities and make the former the preferable means for the discharge of all obligations It thus becomes established as the medium of exchange and deposit, whatever may be the law about the standard of value or the double legal tender

Thus when there is a so-called double standard of gold or silver, or to speak more accurately a double legal tender if it be more profitable to the community at large to pay in gold payments will certainly be made in it to the exclusion of silver notwithstanding that the latter is equally a legal tender with the former In such case silver practically subsides from circulation and sinks into the rank of a mere commodity of trade, with the exception of a certain small quantity which executes very petty transactions, the place of silver in the circulation and in deposit being usurped by the conquering gold, exactly as horses are pushed out by steam on the superior economy of the latter coming to be recognised as an agent of machinery

On the other hand, if the price of gold were fixed at too low a rate relatively to silver, in the legal tender of the two metals with regard to the amounts produced and consumed, that is to say, if the legal

equivalent of silver were unequal to the market value gold possesses as a commodity, the superior cheapness of gold as a material of currency would be defeated by the consideration of the profits of trade.

Gold would then disappear, and would subside from the circulation, because amid the freedom afforded by a double legal tender, silver would furnish the domestic money, and the gold merchant, being able to take advantage of the larger price gold would fetch abroad than at home, would export it all accordingly.

The nominal double legal tender would resolve itself virtually into the single one of silver, and the best metallic basis of currency for a rich country would be supplanted by the worst, in defiance of a proper economy of the capital of the community, because of an error in the calculation of the value of the metals.

This seems to have been actually what occurred in France, from 1801 to 1850, during which time the *market value* of gold was in excess of its *legal* equivalent in silver.

The variation in the value of silver since the gold discoveries, which is reckoned at 5 per cent., seems to have proximately established the values of the two metals, at the rates previously but erroneously attributed to them, when the equivalents of the two metals were legally fixed. The gold Napoleon ceased to be worth more of silver francs than it could claim by law in the form of money. It ceased to be able to buy more value in a foreign country than it could in its own, which had been the case, till the gold discoveries, and the action of some other countries in this matter, to which allusion will hereafter be made. On this taking place, the superior economy of a currency of gold as compared with silver at once made itself felt. Silver has in consequence, in France, been driven out of the circulation and of deposit, and has been exported, the currency of the country and its reserves being maintained in gold, which has been coined in vast quantities.

The same results were seen in the United States of America. A very slight variation of the relative values of silver and gold was sufficient to cause the fullest weight to be attached to the superior economy of the latter (gold) as compared with the former (silver), for the performance of the work of currency and deposit. Gold was accordingly, as in France, coined in millions to meet the contingency, and silver was exported, that operation being more favorable to the possessors of it than to tender it in payment of debts. The latter (silver)

sunk altogether to the rank of a simple commodity of trade No variation of *prices took place in other commodities,* no inconvenience was experienced in measuring values

The public debts and all other obligations were not held to have been in any manner affected by the circumstances the Mint value of the new gold dollar having been made as nearly as possible equal to the original Mint value of the silver one The *money made of gold represented* value generally to the satisfaction of the public, according to the idea it had hitherto had of value in the silver form and the gold money was cheaper to the public as such a representative, than its equivalent of silver could have been on account of the much greater bulk, weight, waste, and expense of coinage of the latter

Thus it is seen in practice how other things being equal or nearly so, the question of tender and therefore finally of standard, is determined by the necessity of following the simple rule of economy which guides the conduct of all manufacturers and merchants in the transaction of their business It is said that the question of standard is *finally resolved* by the instance afforded by the United States, to which I will now allude though it may be necessary to dwell on it hereafter

Thus by the law of 1849 in that country a step forward was made towards the substitution of gold for silver by the introduction of golden dollars a certain weight of coined gold being estimated and legally declared to be equal to the original silver dollar

In 1853 although no legal objection was made to the discharge of the largest obligations in full weight dollars the silver coinage required for daily petty transactions was by depreciation legally reduced to the rank of a token coinage. Payments of more than five dollars could not be enforced in the token coinage according to law This change was made as a matter of convenience. The national reserves had come to consist almost entirely of gold.

Perhaps it may be well to mention that a token coin merely means a metallic Bank note that is to say, that a certain coin (say of silver) is authorised to stand for more than its weight of silver and therefore to be a sign of value which it does not itself possess This is the case with the shilling To prevent traffic in token coins to the derangement of trade a legal tender of shillings does not exceed 40 Beyond that sum payment must be legally made in gold in England.

In the United States so much of the old full weight silver coin had been absorbed as a commodity of trade, as to put the community to inconvenience in the execution of petty daily transactions.

The substitution of gold for silver on account of the larger functions having become complete, the necessity of consulting daily convenience was felt and acted on in the matter of silver coins of small value, as had been previously done in Great Britain

It was no longer required for the national convenience, that the silver coins current for such purposes should possess the intrinsic value of which they were the signs The function of representation of value in the national reserves having been finally assumed by gold, it was evidently to the interest both of the State and of the individual, that no more of silver should be absorbed in daily petty commerce than was absolutely indispensable

Consequently, in 1853, the legal tender of the United States was practically reduced to a single one, the double standard of silver and gold being thus brought down to a single one of gold This does not seem to have been absolutely stated in words If any one had been unwise enough after that date to present his full weight dollars in payment of large obligations instead of exporting them, there was nothing in law to prevent him

With the two examples of France and the United States before us, we can thus hardly resist the conclusion that, as a matter of pure economical science, a battle about a double standard is a somewhat unnecessary contest. For whatever we may proclaim regarding a legal tender of two metals in discharge of obligations, the facts of payment and deposit settle on one of the metals, to the exclusion of the other from the currency If two metals be declared to be legal tenders, but one will be tendered practically, the other gradually subsiding from circulation, being absorbed in domestic manufacture, hoarded, or exported, as may be found expedient by individual interests.

With regard to what may be further expected, or what may actually take place under the double standard, or when a two-fold metallic legal tender exists, we must again advert to the fact of the exchangeable value of the two metals.

Thus it is absolutely necessary in the interests of commerce and of the community, that there should be but one measure of value, whether or not there be a double metallic legal tender This is so fully recognised

in practice both by Governments and subjects that we find in the countries where such double tender exists by law that but one denomination of coin, of one metal, is admitted into the calculations of value. This is seen in the transactions of trade and of the revenue The nominal value of the particular coin remains as a fixed quantity and is the recognised measure of value in the face of the legal two-fold metallic tender

All accounts are kept in it, whether of the public debt or of private obligations. Thus in France the silver franc has remained the denomination of the measure of value, although as above-mentioned, the legal tender admits of silver and gold and that the gold has practically driven the silver out of circulation.

The price of the gold is thus determined by the value borne by the silver at the time that gold asserted itself as the best medium of circulation. All transactions are still measured under the old silver form, though the payments are actually made and deposits are maintained in the gold equivalent

The interest of the public debt is paid in gold as being the equivalent of the silver which is due according to the actual terms in which the contracts for the loans were actually conceived.

Thus it may be said that any possible or prospective change in the value of silver is banished from view and that the value of silver only is considered by the Legislature and the community as it stood at the date when gold was poured over the country in supersession of the old silver coinage.

The French have not as yet advanced beyond this point. They have not as yet legalised and fixed what has actually occurred in accordance with the principles which have been stated We remark a curious phenomenon the titular standard and measure of value have alike maintained their position in silver notwithstanding that the money of the country has for the most part become gold. In this manner have discussions with regard to the Public Debt and the Breach of Faith argument been successfully disposed of.

Names have been retained, while legal equivalents declared with the utmost nicety of calculation have changed the face of the money or representative of value throughout France without in any way affecting prices obligations or interests of any kind whatsoever Consequently it

may be said that the real franc of the present day is the golden equivalent of the silver franc of the year 1850, just as we have seen that in the United States the golden dollar, in which all the reserves and currency are maintained, is the equivalent of the silver dollar of 1849 The comfort of the communities of both countries and the economy of their capital have alike benefitted by the reform operated, according to their progress and increasing wants

But, as already said, the United States have proceeded one step further than the French, and by the introduction of a token coinage for sums less than a dollar, have fixed their gold currency by law

It is probable that the gold currency of France is practically as much fixed as that of the States, but it would be well if she also were to have recourse to a token silver coinage, according to the example set by ourselves, and followed by the United States.

We may fairly say that both France and the United States have exemplified in practice what has been maintained with respect to value, and the monetary obligations, consequent on a particular form of metallic currency, the said obligations being contracted for value, and not for the metal or commodity in which the currency is cast

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CHAPTER VI

Effect of the Demonetisation of Gold subsequent to the Gold discoveries —Breach of Faith towards those on the debit side of obligations thereby involved

It is necessary once more to refer to a definition

The money absorbed in a currency, whether it be actually floating in the course of daily exchange, or in deposit for the purpose of insuring the convertibility of Bank-notes, and of meeting the balance of trade, is so much of the capital of a country, which a community estranges from the ordinary processes and profits of manufacture and commerce, for the easier transaction of its business

This absorption of capital takes place in a special form, viz, in a certain metal, or in metals which have been produced or imported in exchange for other commodities.

The absorption of a particular metal for the special purpose of money, in other words, of metallic currencies in the several communities

of which the world is made up, causes a larger demand for the metal or metals generally, than would be the case if these metals were not so used, that is to say if they were required only for the purposes of manufacture, jewellery, and so forth.

Many hundred millions of gold and silver are absorbed in the function of representing value which would be available for other purposes, if it were not more convenient to retain them for that particular one

The metals are therefore produced in great quantities, to meet the demand on account of this particular function of representing value which is known as a metallic currency, the metals employed in it being intrinsically worth the value they represent in the form of coins

The further conclusion is then that a much larger production of the metals takes place on account of the several currencies of the world, than would occur if those currencies did not exist.

Consequently as to make the money of a community of particular metals causes a greater demand for them and therefore increased production, so suddenly and arbitrarily to drive one metal away from the function, for which amongst others it was largely produced, cannot fail to affect its value, as shown in market price till the absorption and waste of manufactures have again given a stimulus to the production of it.

Further this operation on a metal hitherto used in a currency called demonetisation in favor of another metal, which is retained, is liable to render *the former cheaper and the latter dearer*.

Such a result may be counterbalanced by other causes, but in the absence of such other disturbing causes it could not fail to follow

The ultimate practical consequence of sudden demonetisation of one of such metals is that, owing to the cheapening of the demonetised metal, it leaves the country where it has been so cheapened or it is hidden away, in the hope of better times coming for it hereafter

The production and importation on account of that particular country ceases, except for manufacturing purposes.

If not compensated for by the opposing action of other countries, we can conceive without fear of error, that production of the demonetised metal would altogether cease till the absorption and disappearance has occurred through manufacture and waste, till the reserves previously held had been finally exhausted in it

This having taken place, the value of such a metal would again rise to what it about formerly possessed, relatively to other commodities with regard to the cost of the labor expended in its production We have seen that in France and in the United States, silver has been *gradually* but practically demonetised in recent times, without shock to existing interests, as it had been previously in England. CHAP VI

It is unnecessary to remind the reader of the extraordinary wealth of those countries and of the productive power of their respective communities, as compared with all other countries and communities in the world The trade and the production of them has been increasing at an accelerated ratio since the termination of the great wars in 1815 Leaving England out of the question, as having effected her currency reform before the gold discoveries, we may content ourselves for the present with the consideration of France and the States, with regard to the subject before us.

Their enormous wealth and trading power demand a great mass of metallic currency and reserves, and the demand is ever increasing with the progress of their development, the daily augmenting multiplicity of the engagements and obligations they have to meet

For as the trade of a country and its capacity for production increase, so also does its demand for metallic reserves.

The reserves of France and of the United States must, as a matter of course, follow such a very simple and obvious rule, and we have evidence of it in the enormous gold coinage of both countries

The latter fact shows, besides, that their reserves are now held in gold instead of in silver, or part silver and part gold, as in former times In these circumstances, and in the fact of the increasing wealth of Great Britain, France, and the United States, we find a chief reason why the value of gold has been but little affected by the gold discoveries, and the extraordinary production of gold which has taken place in recent years as compared with times antecedent

If, as was done in some other countries, gold had been artificially demonetised by France and the United States subsequently to the gold discoveries, the result expected with much alarm by some economists and Governments would probably have ensued It is certain that according to the amount now producible in the known mines, silver could

not have continued to supply the currency and reserves of those countries amid their great development without an extraordinary rise in its value, as compared with gold and other commodities.

Had then those countries been as ill advised as some others, it is really true that silver might possibly have taken the place of gold, and all loans and obligations, including public debts, nominally payable in silver, would in such case have been doubled, perhaps trebled, in value.

It perhaps may be said, then, that the course pursued by France and the United States and by England, in the matter of metallic currency, has saved the world from a great revolution in the relative value of the precious metals and from the evils which could not fail to have followed on such a revolution

On the other hand the conduct of other Governments which acted under feelings of alarm and from incapacity to grasp the reality of what they were about was exactly calculated to cause the disaster which was the object of their fears

In the countries under such other Governments, the fact was overlooked, that to demonetise gold, which had hitherto been used in aid of a silver currency was to add to the effects of the change caused by the gold discoveries in the absence of compensating foreign causes to degrade the value of gold by arbitrarily reducing that demand for it which had hitherto had the sanction of law and custom to deprive it of the principal function on account of which heretofore it had been largely produced viz., the functions of currency and of deposit, of forming part of the national reserve, whether in the public exchequer or in individual hoards

Thus was gold reduced in those countries hastily and arbitrarily to the rank of a mere commodity of trade and manufacture, instead of being permitted to be the agent of vast operations involved in the character of being a legalised representative of value

In addition, therefore to the mines discovered in California and Australia gold mines were artificially created by the inconsiderate conduct of the Governments alluded to To the best of their ability, these Governments poured forth on the world the gold hitherto absorbed in their metallic currencies, or condemned it to idleness when they degraded it from use in their domestic exchange. That took place which has been

stated as certain to occur in the absence of disturbing causes. Gold was relatively cheapened as regards silver, its price being determined by the artificial value communicated to the latter. CHAP VI

For the value of silver could not but be proportionally raised, with regard to the amount of that metal existing and annually produced in the world being called on to perform the great function of money, or of representative of value, which had hitherto been divided between silver and gold.

The consequence was, that in all the countries adopting this course a positive injury was done to the community generally, and to all debtors, because the repayment of obligations, from the date of the legality of the gold tender being denied, had to take place in silver, the value of which had been thus artificially and arbitrarily raised, that being subsequent to the date on which the contract of the obligations had been made.

This injury was to the detriment of the State in its character of debtor, as it was to all other debtors.

It was a successful speculation in favor of the fundholder and of all creditors It was also a successful speculation in favor of all those who happened to possess hoards of silver metal, while it was the contrary to the holders of gold, it being understood that disturbing causes of the counter operations of wiser Governments are put on one side, while the question and its conditions are stated with purity and absoluteness.

Under such circumstances, there is small room for surprise that silver should rise 5 per cent in value, which may be fairly attributed to the conduct just illustrated, and *not* to the new production of gold

We can only be thankful that it did not rise still more, a circumstance which, as above shown, can only be accounted for by the wise conduct of the three most wealthy and actively producing communities in the world, those of France, the United States, and Great Britain, and by the fortunate era of peaceful progress and of national development in which that conduct took place.

The progress and the development of these countries were sufficient to prevent any but slender change in nominal value on account of the increased production of gold, and their conduct was almost able to obstruct the mischievous regulations of other Governments, which tended directly to raise the value of every debt, public and private.

We cannot then resist the conclusion that the conduct of the Governments of Holland Belgium, and India in this matter, which has been mentioned in terms of commendation as being an useful experience by a great authority (the late Mr Wilson), it being called by him an act of great caution, was in fact one of inconceivable rashness.

He says that, "Before the gold discoveries, silver was rarely so low as 4*s.* 11*d* the ounce since it has seldom reached or at least exceeded 5*s* 2*d* the ounce but under the apprehension of a fall, the Government of Holland, proverbial for its caution, was the first to take alarm and having then a circulation of both gold coins and silver coins which were a legal tender at a fixed relation to each other, they demonetised the gold coin, leaving silver the ancient standard, the only legal tender

Thus Holland it appears, merely *under an apprehension* of a fall and not because a fall in the value of gold had occurred, was the first to set the fatal example. Holland was the first to create an artificial gold mine to aid the new Californian natural mines in changing the relative values of gold and silver, in fact to cause the very evil it professed to dread, and doubtless did dread.

The example was followed by another small but very rich country (Belgium) India under the British Government did the like, and gold which from time immemorial had been coined for circulation and reserve by all the Governments which preceded ours was made suddenly to cease to form part of the British Indian currency

The inevitable consequence was soon seen. The price of silver being thus unnaturally forced in other countries, while it remained at its natural value in France the United States, and Great Britain according to the commercial law which enjoins all traders to sell things in the dearest market and to buy them in the cheapest, silver forthwith began to flow to the market where it could fetch the highest price.

I would ask leave in considering this important matter notwithstanding the fear of repetition, to refer again to the points involved in the value of obligations being increased by the sudden and arbitrary demonetisation of gold in the several countries where it occurred.

I would also request that the facts of value, as applied to obligations (public and private) may be borne in mind the deduction from them being in the present instance that to demonetise gold arbitrarily and summarily, to order that silver only shall perform the functions of metallic money, is to interfere with value as it has been hitherto determined

in respect of silver, to give a high price artificially to silver, and then to rule that that high price shall stand in the place of intrinsic value, as measured by the cost of production. Consequently an *artificial high* price replaces the natural price at which silver was estimated, when it was selected by contracting parties to represent value in mutual obligations between debtor and creditor, it being the fact that the particular metal was only the representative of value, and was not itself a commodity of trade, in which either party was driving a speculation. CHAP. VI

These considerations are peculiarly important when we consider the public debts of countries, money obligations connected with the mortgage of land, &c., &c.

There cannot be a doubt that in all the countries in which gold was arbitrarily demonetised, the public debt in those countries having been contracted under the denomination of one of the forms of legal tender, while two were admitted in the currency, the operation took place for the benefit of the holders and the detriment of the tax-paying public, in exact proportion to the rise in the value of silver, viz., about 5 per cent.

If they sold 100 rupees of their stock, they received value which was equal to five rupees more than they had originally lent.

Their dividends from henceforth were 5 per cent. more valuable than they had contracted to receive, although the nominal interest was the same.

All mortgagees, all holders of policies in life insurance, in short, all creditors in monetary obligations made antecedent to the demonetisation, received a like benefit to the *positive detriment* of the debtors.

It is really pleasant to observe that, with regard to the breach of faith argument, that which has been *most erroneously* used against a substitution of gold for silver, might have been, indeed ought to have been, if the nature of value is fairly considered, urged with firm and honest purpose against the operation called a measure of caution by Mr. Wilson.

It is certainly true that the fund-holders, the creditors, and the holders of silver of the time in the countries referred to, exercised the caution which makes laws and regulations to enhance the value of existing property, in other words, which legislates in a purely selfish interest to the detriment of the public at large which pays taxes, and of the huge class of debtors, including what is called the State.

AP
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CHAPTER VII.

Justice can alone be done to the Community of India by the introduction of a Gold legal tender and the consequent prevention of rise in the value of Silver —Effect of the rise in value of Silver on the very poor Instance afforded by the incidence of the Salt Taxes.—Loss caused to India by the compulsory importation of Silver

Amongst other arguments which have been used against the introduction of the gold legal tender, we have been told that a great injustice amounting to robbery would be inflicted by it on the ryot, or cultivator It is asserted by some that the proposed measure is meant to add to his difficulties, and it has been dubbed confiscation on such an account.

The assertion is a seducing one to some minds. It is indeed but a re-statement of the breach of faith argument with a dash of sentimentalism infused, for the purpose of attracting the support of the British philanthropist

It may be fairly said that the truth is exactly opposed to the assertion and that justice can only be done to the ryot, and to those who are lower down in the social scale than he is, by reverting to a gold currency

It has been shown that, putting disturbing causes aside an arbitrary and absolute demonetisation of gold must of necessity raise the value of silver Consequently such an operation is directly disadvantageous to all debtors whose obligations were contracted prior to it.

Such demonetisation is also disadvantageous to all who are bound to make payments of given sums at regulated periods according to ancient contracts. For the sake of argument, we must assume that the rise in the value of silver with respect to that of gold is the same in India as it is declared in the markets of Europe although that perhaps is hardly so Thus if silver is now worth *5s 2d* an ounce instead of *4s 11d*, as was the case in Europe in former days before the gold discoveries, and before gold was absolutely demonetised in certain countries, every obligation contracted under the national denomination of value viz., the rupee before the changes adverted to, is practically worth about *3d* more in five shillings, or something like 5 per cent, than it would have been had no such changes taken place

Consequently all leases, mortgages and public debts impose this disadvantage on those who are on the debit side of the contracts made prior to the operation referred to Such parties—counteracting causes

being put on one side, of which notice will be taken hereafter as affecting India—are actually now paying about 5 per cent. more of value than they contracted to pay, because they are compelled arbitrarily to pay their dues in a metal the market value or selling price of which has been artificially raised 5 per cent by the absolute demonetisation of gold.* CHAP. VII

Let us examine how this circumstance acts on the ryots of India.

In the first place the land revenues of India being in the nature of rent, the State landlord receives 5 per cent. more of value than he intended when he contracted for the rent of his lands, or in other words settled the assessment of the land revenue.

In Bengal this settlement, made in the last century, was a permanent one. Therefore in Bengal, the essence of a permanent agreement has been invalidated by the fact of a circuitous arrangement, one altogether out of the minds of the contractors on both sides to the settlement when the settlement was made, that is to say, other disturbing causes being put on one side, the permanent landholders of Bengal now pay 5 per cent more of value for their land than it was originally intended by them and Lord Cornwallis that they should pay, or than they did pay for more than half a century after that settlement was made.

In the North-West Provinces and in Bombay the settlements are not permanent, but run for thirty years.

In the North-West Provinces the settlements were generally effected after the Act of 1835,† but before the treasuries were ordered not to receive gold in payment of revenues.

The rents were therefore fixed in a great many instances before the value of silver could have been affected by the gold discoveries, and its price raised by them. Consequently, until the settlement comes to a close, the older lessees or payers of revenue under the thirty years' settlement of the North-West Provinces, are affected similarly to the

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* Be it said, in passing, that for the sake of the argument I am obliged to assume that the popular demonetisation of gold has been really as effective in India as the laws and regulations would have made it. It will be seen in a following Chapter that this is by no means the case, and that there is consequently reason to believe that India has in great measure escaped the evils of that demonetisation, as affecting the relative values of silver and gold.

† Act XVII of 1835. This Act determines the silver and gold coinage, and establishes equivalents of respective values. It also enacts that gold shall not be a legal tender

permanent tenant of Bengal The land settlement of Bombay which is still proceeding, seems not to have been commenced at so early a date, but the argument must also partially apply to that Presidency

It is obvious therefore, that, so far as rent is concerned, all obligations contracted between the State landlord on the one side and the tenant on the other, which are older than twenty years, are discharged according to a notion of the value of the rupee which was not intended by either of the contracting parties, and which is to the direct disadvantage of the tenants Let it be remembered that these tenants are the classes on whom most of *the direct taxation of India is made to fall* *

Whatever may be our opinion of the policy of the immemorial system of State landlordism for raising the funds required for the functions of Government and administration in India, it is clearly wrong and unjust to add to the burthen indirectly Yet this is exactly what has been done by the course pursued with regard to gold and silver in the currency of the country, in disregarding the fact that a certain idea of value was originally contemplated by the lessors and the lessees, and not the actual commodity or metal in other words the special form of money in which that idea was for the time nominally represented in contracts.

In addition to the difficulty stated with regard *to* the contract made with the State landlord, we have the further facts of the indebtedness of a large proportion of the Indian landowners and ryots, under whatever name they may exist, towards bankers and others This state of indebtedness is not only general, but is also in a vast number of instances of very old standing It has come down from generation to generation, and is transmitted from father to son, the security being in the form of mortgage

Here again the mortgagee profits, as it has been shown that the State landlord profits by the arbitrary elevation given to the market price of silver, by the demonetisation of the gold.

* This is not said in depreciation of the Indian system of land revenue which I believe to be a most perfect engine of raising money for State purposes, when it comes down from ancient times, as is the case in India, and is not arbitrarily applied as a novelty and therefore a tax. In the former it is strictly rent in the latter it is an impost which may or may not be equitable with regard to the burthens placed on the classes connected with the land.

Again has the burthen of the indebted ryots and of the indebted possessors of land been artificially and enormously raised. CHAP. VII

It may therefore be said that in the matter of change of value in consequence of the absolute demonetisation of gold, the great landed interest represented by the ryots or tenants under other names, and by the indebted freeholders of India, stand with regard to the breach of faith argument in the same position as the State, when the latter is viewed as a debtor on account of such portion of the State debt as is more than twenty years old.

In the character of a debtor the State is unfairly prejudiced

In its character of landlord it obtains an unfair advantage in Bengal with regard to the permanent settlement, and in the North-West Provinces with respect to the thirty years' settlement inaugurated by the late Mr. Thomason.

If even there had been no counteracting causes to bar the effect of the legal demonetisation of gold, it is possible, perhaps indeed very probable, therefore, that so far as the public purse, the Exchequer, is concerned, one of the circumstances neutralises the others.

In like manner, assuming the rise of the value of silver to be a fact for the sake of the argument, it is by no means improbable that the tenants or ryots who are wealthy and follow the national instinct of hoarding, have found a compensation for the increased value of the rents they pay, in the increased value of their savings But the indigent ryots who were not what is called "before the world" when the value of silver was raised, who have to pay the interest of mortgages contracted by their fathers or by themselves, have no such compensation wherewith to mitigate the additional burthen inflicted on them, by the artificially effected increase in the market value of silver.

It is therefore evident that any measure which tends to arrest the rise in the price of silver, to cause the value of contracts to be appreciated, as apart from the arbitrary augmentation of price of a particular metal which happens to be the legal tender of the day, cannot but be an unmixed advantage to the vast Tenant interest of India, from which comes the great bulk of the revenue of the country, in the form of a rent paid to the State landlord

There are other numerous classes besides the ryot and the indebted landowner, which have a right to demand that the value of the silver rupee shall not be artificially raised.

It is far from my wish to reflect on the financial system of India. The improvements which have been made during the last half century, the abolition of transit duties, the reduction of the rates of land assessment, the abatement of customs duty on articles of first necessity, are all evidence of the spirit by which the Government of India is actuated, and of the right course in which it is moving Difficulties present themselves with regard to raising the necessary revenue which impede reforms otherwise desirable.

It is on such account, we may presume, that the salt taxes, which are condemned on principle by the most enlightened Governments of Europe still find a place among the imposts on which reliance is placed by the Indian administration The effect of the salt tax on the very poor is, as it is well known, of a most serious character Thus it is not too much to say that people of this class, in order to support life to prevent themselves from being slowly poisoned by the scanty farinaceous food on which they subsist must spend a large portion of their incomes on the purchase of salt.

The salt must be paid for in the legal tender of the day or in silver, a great part of the price of the salt being a direct tax to the State. The poor man like the rich one cannot escape a physical law Although his income may only be from 3 to 4 rupees * or 6 to 8 shillings a month his health requires that he should consume as much salt as the man of large fortune

It must therefore be admitted that although the salt revenues may be levied either in the form of Excise or of Customs they do in effect constitute a Poll tax on every man woman and child in the country, simply because salt is a necessary of life.

It is then evident that any measure which conduces to raise the value of silver artificially, in which as at present ruled taxes can alone be paid, forms an addition to the Poll tax which is levied on the enormous masses of the Indian population

Perhaps it will be said that all disturbing causes being put on one side, silver being assumed to rise in value as is feared the rupee received by the very poor man as wages will rise proportionately in value with that portion of the rupee paid away by him as a tax on salt to the State

* Such a low rate of wages is now much less common than it used to be

This is true; but we may be quite sure that if the value of silver with regard to all other commodities were to rise, the actual rate of wages as represented by the number of rupees paid for labor, would sink as the value of silver rose. CHAP. VII

It is not perhaps likely that such a consideration would influence the scale of the salt taxes, unless it had been determined to revise the financial system and to abolish salt duties.

On the contrary, we know that actually while the price of silver has been affected in European markets by the demand of importation to India, it being believed by many, however contrary it may be to fact, that the value of silver in India was also rising, the tax on salt, which, according to the legal tender of the day, must be paid in silver, has been raised.

I must again guard myself and bring to mind that for the sake of the argument, the facts of silver and gold only have been considered, the effect on the former, by the absolute demonetisation of the latter, being alone taken into account in answer to objections offered to the proposed reform. It will be seen, as the inquiry is prosecuted, that both metals, gold and silver alike, have of late years sunk in value in India about *pari passu*. Consequently, both the payer of rent and the payer of salt taxes are on this account better off than they used to be, with the exception of persons living on very small fixed incomes—a considerable class in the town and village communities of India.

Before quitting the subject of justice to the community as involved in the proposed reform, it is well to advert to that which is so clearly stated in the Memorial of the Chamber of Commerce, viz, "that while silver must be transported to a great distance, and reaches India burdened with heavy charges, gold may be cheaply procured from neighbouring countries"

From this follows a prejudice to India, because silver being burdened with such heavy charges, cannot be re-exported without loss, much of its reproductive power being thus lost to India

It is further pointed out in the same Memorial that India, instead of being the last recipient and the absorber of silver, would become the first importer and distributor of gold, if her currency were put on a reasonable footing

With regard to the facts of India being a producer of manufactures as well as of raw commodities, both the former and the latter being available for direct export to the gold producing countries it seems clear that a positive injustice is done to the Indian community by permitting a state of things to exist which unfavorably affects the value of gold in India, and compels a large importation of silver when gold would otherwise be preferred.

There can be no good reason to compel the precious metals to make the journey from Australia round by London to India instead of coming direct to the latter country Yet that is what to a certain extent necessarily takes place, and which throws heavy charges on the metal ordained as a legal tender viz., silver The gold of Australia must go to London to be exchanged for silver which is then sent out to India after being bought at an artificially high price in Europe and the United States The European markets are the middlemen, who obtain their profits on the silver sent to India to restore the balance of trade

Those profits are thus a partial deduction from the profits which would otherwise accrue to India herself It is evident that this is neither more nor less than a grievance, seeing that the proceeding is arbitrary and artificial, and not demanded by the natural wants of commerce

It may be argued that the present extraordinary state of things cannot last, and that India will cease to be such an importer of the precious metals as she now is, when the supplies of cotton from different parts of the world shall have become equal to the demands of the several markets of Europe and America.

This may be true to a certain extent but so long as India is a great producer of raw commodities and a considerable manufacturer, and until the masses of her people have so changed their habits as to become great consumers of European productions we must understand that the balance of trade will continue to require a large annual importation of the precious metals Let it be remembered that her powers of production her capacity for manufacture, and her determination to avail herself of the profits of foreign commerce, are daily increasing, while the change of habits and customs, involving a demand for European commodities to which the Indian mind is not yet habituated, cannot but be a matter of very slow growth

I have heard it said in answer to this argument, that the trade of India with Australia being as yet slender, to import gold direct from the latter to the former in large quantities is at present impossible We may however believe, that mercantile ingenuity would overcome any difficulty of execution which stood in the way of buying gold cheap at the mouth of the mines, instead of when it is burthened with the cost of freight by a journey to London

Thus if A, an Indian merchant, exports his cotton to B in England, B may send cloth to C in Australia and make his payment to A in India in the form of bills drawn on C in Australia, which would be discharged in gold That gold is I believe worth about £3-15 in Australia instead of £3-17-10 the price of the Bank of England, to which it rises in the European markets in consequence of freight, &c.

CHAPTER VIII

The introduction of a Gold Currency into India is urgently required as a matter of convenience and economy to the people at large —A Paper Currency inoperative, owing to social causes —The introduction of a Gold Currency demanded by the same social causes

We now proceed to other considerations.

It is believed that the justice of any measure, including the gradual and partial demonetisation of silver, which may prevent the further upward move of the market value of silver, or its selling price, has been fully proved

We have now then to discuss those other parts of the question which have been already generally stated in the second chapter of this treatise, viz , the convenience to the people, the superior economy proposed by an arrangement which shall include gold in the currency, as compared to the charges and want of comfort to which they are at present exposed.

With regard to Mint operations, to economy of manufacture and administration, and to the saving of waste of material, and therefore of the national capital, by substituting generally as means of circulation and deposit, the more costly metal, gold, for the cheaper one, silver, it is unnecessary to recapitulate the arguments by which this part of the subject has been already illustrated *

* Vide *supra*, Chapter II

But when we come to consider the questions of porterage of coin, and of preserving in security the savings of the poor and of large sections of those elevated above poverty, we touch a subject intimately connected with the social habits and the imperfect civilisation of the people.

Let us reflect on the fact that the populations of India have the most simple and gregarious habits There are tens of millions of the people who carry their little store of wealth habitually with them on their persons or bury it in the corners of their huts To perceive the actual presence of their hardly saved rupees, or to conceal them away from the eyes of all other men, is their only notion of safety for their slender property

For them therefore it is difficult to over-estimate the advantage of having the intrinsic value of their savings in the smallest and most portable form The intensity of the want of portability of money comes before us in various ways It is one of the conditions of what may be called the extreme promiscuity of existence seen in Oriental Bazars, in the town and village life of India, as compared with the habits of European communities.

The importance of portability of the precious metals, as a means of being constantly on the watch to preserve the reserve wealth of the family is observed in the addiction to personal ornaments of silver and gold.

The reserve capital of a family is carried for safety on the persons of the women in the form of gold or silver bangles, as much as for ornament.

It is but an instance of the habit of thought of the desire amounting to a craving to intensify the feeling of security, which we see in Oriental Potentates, who invariably invest large portions of their surplus wealth in precious stones and durable valuables.

Thus, every man who is just raised above mendicancy, carries his little store of money on his person, or he buries it. The waistband of almost every such man contains a few rupees or a coin or two of gold, which represent all his wealth, except his wife s bangles and his tools

We saw the exaggeration of the notion of the value of portability during the recent rebellion in 1857 58 when the price of gold rose 50 per cent. in the bazars of the North West solely because of that

quality. The gold mohur, which used generally to be exchanged by the money-changers for 16 rupees, its Mint price being 15 rupees, actually rose to 24 rupees, which were readily given for it. CHAP. VIII

I am particular in noting these circumstances, because, if fairly interpreted, they display a far more serious necessity for the introduction of a gold currency among the population of India as a matter of convenience, than perhaps may be the case in more advanced communities This has probably always been so, but it seems particularly desirable now that wealth is beginning to spread among the people in a manner which would have been believed to be impossible a few years ago.

In America and in Europe the great reserves of precious metals are for the most part secured in the strong rooms of Banks, the value being represented by convertible paper The promise to pay satisfies every one The reserves being known to exist, and to be forthcoming to redeem the promise, gold and silver are but little seen in the course of business, except in the petty daily commerce of life.

The old habits of feudal Europe have well nigh died out. Secret hoarding, the carrying about the little store of wealth on the person, and the use of the hearthstone, so common in many countries till quite a recent date, the resources of the weak and of the oppressed, seem to be almost forgotten

Money is felt to be safer in a Commercial or a Savings' Bank The people are satisfied to let their money "breed" if possible, and faith in obligations such as Bank-notes, or Bank-receipts, has entirely replaced the want of confidence, which among ignorant and backward populations, refuses to be satisfied except by the daily evidence of the senses.

But Oriental populations, if we except the inhabitants of a few large seaboard cities, are generally a long way from such a result of progress in social polity They are not practically educated to the point of appreciating the convertibility of paper, and the advantage of popular banking The latter in their eyes is connected with their natural enemy the usurer. The former must remain for a long time an object of distrust

The people hug the idea of intrinsic value in coins of the precious metals which will last for ever, which will be again found, if war sweep over the country and destroy all that is above ground.

AP II. It will be understood that they would not care to bury the Bank note in a corner of the hut. They would know that the paper would rot, be destroyed by damp, or be eaten by insects.

They would further be always oppressed with the idea that it might lose in value, or become inconvertible hereafter, in the midst of political changes,—a by no means unreasonable suspicion

To the very poor the Bank note would also present serious objections on account of its easy destructibility It must wear out in the waistband Its want of weight, its very flimsiness, preclude the idea of its general use by the very poor who like to assure themselves by constant touch that their little reserve store of wealth is actually in its usual place on their persons

There cannot be a doubt that such people would long to change the Bank note, when paid to them in satisfaction of their dues. This they would undoubtedly do even at considerable loss rather than continue to trust in what to them is a doubtful representative of value. Such facts daily pass before our eyes, even in great marts, where other things might have been expected

It may further be said that, of all people in the world the population of India carries practically and keenly into execution the principle, that the money actually current is a commodity which must possess the intrinsic value it assumes to represent

To them bangles are convertible into rupees and *vice versâ.*

"The gowd's the gowd for a' that."

Thus in some Native States, the people refuse in their retail operations to take the British rupee without a slight discount because they declare, whether rightly or wrongly that the rude rupees supplied from their native Mints, have more of silver in them, or are freer from alloy than the British rupee.

The gold mohurs produced in the Native Mints, were I am informed, always more in demand for similar reasons than the British gold mohurs, when gold was received at our treasuries To this day, the purity of the old gold mohur of Oudh, and of the gold mohurs coined at Jeypore, is held in high estimation

These matters are valued with the greatest nicety by the native cambist, and they descended into minute retail operations, to the extreme disadvantage of the very poor

Those practically acquainted with India will understand how they must affect a widespread circulation of Bank-notes. The difficulty of generally applying Bank-notes, must remain, until the suspicions of the people have been allayed by practical and patient education, and their civilization in the matter concerned has reached the point we have lately, but very lately, seen attained in some European countries. CHAP. VIII

It is not asserted that a large development of the paper currency would not greatly facilitate the business of domestic commerce, the transactions in the large towns, the operations of great merchants and shop-keepers, and of Government in its several characters of State Landlord, Merchant, Producer, Administrator, Banker, and Provider of a currency. I desire only to show that what are called the masses, the hundred millions, with the slight exception perhaps of those living in the seaboard cities of Calcutta, Bombay, Madras, and Kurrachee, will, for the present and for many years to come, fail to appreciate a system of paper representing Government promises to pay.

My object is to declare the strength and importance of the habits and customs,—of the immemorial feeling among the many races of which the people of India is made up,—that they must have intrinsic value in their hands, before they are convinced that payment has been made to them. In their present state of knowledge and civilization,—their habits of thought and of practice being based on the ideas of barbarous ages, when concealment and the hoarding of money were necessities of existence,—we should not expect them to hold different views. Such views will in the lapse of time come to be entertained, but it is in vain to attempt to force them forward. They must grow naturally amid tender encouragement.

In this matter we have to overcome what is called the "immobility" of the East. This we know successfully resists sudden pressure. It can be stirred only by bringing Nature to our aid, as we remove the bar from the mouth of a harbour, not by steam-engines and hydraulic presses, but by turning a current, which gradually washes away the immemorial obstruction.

So must it always be in the introduction of improvement into Hindustan. We do not find that the natives of India are slower than those of other countries to profit by innovation, when their understandings have been convinced that advantage will flow from the change. But it is certainly true that the conviction must be practically won

Theories are not taken on trust. The experience of other countries is not admitted as sufficient. Custom is paramount till it is dislodged by the actual evidence of the senses, that success attends a change, and that gain follows on the change

This having been achieved, immobility is shaken among the masses, the bar finally disappears before the increasing strength of the new current directed against it

Then is perceived what we have seen in the plantations of New Orleans cotton in Southern India, and of tea in the North. In each case the people had to be practically educated to the point required for a change in their industry The introduction of the change could not be effected in less time than that represented by a generation. It finally took place, because the people had at length convinced themselves by their own experience, that what was announced by Government and foreign planters was actually true

These facts of Hindustanee nature so important to the Legislator and the Administrator must surely not be permitted to escape us when we contemplate the introduction of convertible paper, and desire to substitute promises to pay in the hands of the people, for the metallic payment itself For in this the uneducated and the timid have alone confidence because as yet it is the only thing they have known by which value could be represented, and the only thing which has been proved to them by the experience of ages to be durable and recoverable, when all other produced things might be swept away

The social aspect of the question is after all the truly important one, that which presents enormous difficulties in the way of execution of a general paper currency The economical theory of the advantages of a paper currency is doubtless absolutely true but we are convinced by a thousand instances that in politics scientific truth must wait patiently, must gradually force itself on popular conviction, here a little and there a little

An over hasty application of the most perfect economical system, which ignores the facts of the existing state of knowledge and civilisa tion, defeats the objects sought by the advocates of the change In such case the Government of a country is fortunate if the resistance it is certain to encounter, be only dumb and dogged as it might be in India instead of violent and inflammatory, as it assuredly would be in Europe

It seems to me that those who, like the late Mr. Wilson, have had absolute faith in the virtue and the possibility of the immediate application of a convertible paper throughout India, have overlooked the foregoing considerations.

Thoroughly imbued with the truths of economical science, they have overlooked the social bar standing directly before them, submerged though it may be by the calm waters of Indian tranquillity and apparent submissiveness to the orders of Government.

They have forgotten that that submissiveness is perfect, so long only as the personal interest of the individual is favorably concerned, but that at the point where the interest is either prejudiced, or the individual *thinks* it is prejudiced, the opposition becomes determined and invincible It is none the less so, because of the outward calm of the spoken and acted submissiveness As before said, we find ourselves in the presence of great results of natural causes These results cannot be removed until the causes themselves are diverted.

Yet Mr. Wilson thought, and tried to act on the thought, that by a simple order of Government, the people of Hindustan might at once be induced to appreciate and use a convertible paper currency, which would have dropped on them as a novelty to be understood and fed on, as manna was by the Israelites in the wilderness.

It is not then too much to say that Mr. Wilson fell into the error of overlooking or of putting aside the political truths conveyed by the social aspect of the question

It seems clear, that in his ardent desire to relieve the currency of India from the difficulties in which he found it, according to his own economical views, he entirely failed to estimate the obstacles presented by custom and habit, by ignorance and prejudice, by the facts of the enormous numbers of the population among which the metallic reserves of India are fractionally distributed, the principle of the Savings' Bank being as yet entirely unknown to them

Mr Wilson evidently must have reasoned as if he had had a British or an American public before him, which has been educated to the point of understanding, that the convertibility of the Bank-note when real and positive under the authority of the State, or any other equally valid authority, is but another term for actual value.

His sanguine temperament was perhaps unable to appreciate, that to cause such a truth to sink into the mind of the Indian population,

and to become operative amidst its shallows, must be an affair of many years. He was probably misled by what he saw at Calcutta and at Bombay He doubtless assumed, for the more convenient floating of his schemes, that the great masses of the Indian people differed in no respects from the native inhabitants of those vast trading cities.

Yet nothing can be more erroneous Bombay and Calcutta evince the effects of a practical British education which has lasted for two centuries In the matters of trade, of the changes and improvements in the art of commerce, they have proceeded with the European countries, more especially England, with which they have been in direct communication. In such respects, therefore, the people of these cities resemble the communities of Liverpool and London rather than the masses of their poor countrymen in the provinces, who are only now commencing the rudiments of a like education

This has been practically seen in the districts wealthy as they are, and overwhelmed by the sudden prosperity lavished on them by the cotton crisis, where the Bombay Bank has established its branches

The people of those districts are shown to be not ripe for a Bank note circulation, and in point of fact they will not have anything to say to it.

They are greedy of the metals in every form. Silver coined or uncoined, gold in bars and golden bangles, have the greatest charm for them Gold on such account is bought in the Bombay market and taken into the interior directly it appears There is at present no more profitable trade than to import gold for this purpose An ingot currency organised by the people themselves, has as it were sprung into existence, on account of the new value created in the country by the cotton crisis and by the largely developed export trade following on it. But the Bank note is despised in the provinces as it was before the strange, unlooked for, and enormous addition to the material wealth of the country, which has recently taken place

It will be recollected that Mr Wilson's schemes were elaborated in 1859, or more than a year before the outbreak of Civil war in the United States.

Nothing could be so favorable to the development of a paper currency as a vast accession to a material wealth, the consequent increase of transactions, and extraordinary impetus given to the activity of trade

Circumstances on which Mr Wilson did not reckon, have all been immensely in his favor.

Yet, so far as we know, whenever Bank-notes have been offered out of the Presidency towns, they have failed to attract attention, while on the contrary the old passion for the possession of the metals, silver and gold, has made itself felt with tenfold force among the "nouveaux riches" of Hindustan

Thus have old social habits been triumphant, and the artificial devices of the Art of Commerce, for the furtherance of the freedom of exchange and the saving of capital, are steadily put aside, simply because their merits are not understood, and because the people are not educated to the point of understanding them, and therefore of departing from their ancient custom.

It is curious to note the determination of the population at large to acquire gold in preference to silver as a means of ornament and hoarding, so soon as their increased wealth permits of it.

The fact is remarked and reported by Collectors and Superintendents of Police It is said that since the cotton crisis, gold bangles have in some favored cotton districts become almost as common as silver bangles were before Sir Arthur Cotton relates that before the opening of the Godavery canals, the district of Rajamundree was one of the poorest in India The irrigation of the soil converted it to a rich one.

He visited the district a few years after his canal labors had produced their fruits Wealth had taken the place of the most ghastly poverty The district had become a steady importer of *gold.*

It is then evident that the people must have and will have gold.

The want of it being strongly felt in accordance with the instincts of the people, with regard to the late accession to their wealth, they are rudely proceeding to supply themselves.

Thus twenty-one millions of gold (pounds) have been imported into India since Mr. Wilson's currency scheme was propounded, viz., since 1860-61 *

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* Importation of gold to Calcutta, Madras, and Bombay—

1860 61	Rs 4,50,92,243
1861-62	„ 5,50,22,714
1862-63	„ 6,72,25,794

In the incomplete financial year of 1863 64, viz, till 15th February 1864, the importation of gold to Bombay alone has been Rs. 4,13,46,748 This sum has been imported on private account, and is exclusive of Government remittances.

Although his paper scheme was grievously mutilated, an attempt has been made since that date to float a tentative paper currency That attempt has failed, as already shown whilst the enormous sum of gold just cited has been absorbed so soon as it appeared and this fact has taken place notwithstanding that gold is not coined in the British Mints and is not available as a legal tender in payment of debts and taxes

What is then the inference?

By every consideration of regard for the people for their convenience and the economy of their means, we are bound to give an administrative form to the solution of the problem of a gold currency which, in a rude and barbarous manner, they have, to a certain degree, worked out for themselves.

CHAPTER IX.

Change of values in India.—Disturbing causes of value.—Increased demand for metallic circulation.—Popular instinct has corrected an administrative defect.—It is our duty to follow the lead thus given.

A survey of Indian affairs during the last few years, makes us acquainted with circumstances which have an intimate connection with the subject before us

Thus it is seen that many causes have tended to accelerate—perhaps it should be said to create—a new development in India.

The throwing open of trade fifty years ago has at length come to have its full effect the foreign trade which was most insignificant at the commencement of the century, now exceeds a hundred millions sterling New industries, new commodities have sprung into existence to meet the wants of daily augmenting demands of foreign commerce.

Vast tracts of country which were formerly devoted entirely to the production of cereals, are now alienated to other purposes,—to opium, to cotton, to oilseeds

Provinces in which corn was not many years ago at a fabulously low price, are now importers of grain The consequence has been that for several years a steady but certain rise of prices has been observed to be proceeding

Much more of money has flowed into the country and been distributed throughout its wide area, than could be received and absorbed in former times

Silver and gold have *alike* become cheaper, as a greater demand for other commodities has followed on two causes—the new demands of foreign commerce, and the enlarged power of consumption evinced by the people in consequence of their prosperity. CHAP IX

The latter circumstance is shown by the unfailing test of the salt taxes. The consumption of salt, as proved by the returns of the tax, is steadily rising, the craving for that necessary aliment being the first to be satisfied as a condition of health, as the means of the poor are ameliorated.

It will be understood that a largely increased foreign commerce must add immensely to the amount of domestic production, and therefore to the number of transactions, each in their own way demanding more consumption, more labor, more land, more conveniences, more means of exchange, more money, and an easier adaptation of money to the supply of the new wants

These facts have all been visible in a very marked manner in India

Thus great tracts of land are being daily brought into cultivation, which for ages had lain waste. There is no part of the revenue which is more* remunerative, more elastic, or shows a greater tendency to increase, than that proceeding from the land. Notwithstanding that the assessments or rates of rent are much lower than in former days, the actual amounts paid into the Treasury exceed those of the times of high assessments, because of the larger area brought under cultivation, and of the exactness with which the assessment is now paid.

Instead of a population which was too numerous for employment, there is now an active competition on the part of employers of all sorts to attract labor.

One great reason of the rise of prices in all descriptions of food is the greater disposition to consume The people being richer, actually eat more than they did in their days of poverty

The rates of wages are rising everywhere, but more especially in the neighbourhood of the sea-coast, where labor is most in demand

* This remark refers to the Presidencies and Governments into which the Permanent Settlement has not been introduced. In them the Treasury benefits as does an improving landlord whose ultimate returns are augmented by the prosperity of his tenants Such a result seems to be precluded by the Permanent Settlement, which transfers this advantage to the Zemindar or large landholder in Bengal Proper

AP X. The conveniences required by a great activity of domestic commerce have simultaneously made their appearance.

Thus railways which create so many new industries and employ the population by millions, are becoming a part of the habits of the people, wherever they have as yet pierced The same may be said of coasting and river steamers

Hundreds of thousands of carts have within the last twenty years supplanted the pack bullock and the camel in wide areas in which formerly such carriage sufficed for the insignificant traffic of the country

The Public Works Department of Government is striving to meet the demand for improved communications in aid of the railways, and to ease the growing traffic of the country to the best of its ability Much is being effected—competition for labor both of man and beast being thus added by the Government to the exertions of Railway Companies, and to the energies of other employers.

If we turn to other matters of convenience we remark that numerous Banks have been established that the small capitalists are making themselves felt in India as they do in Europe in the form of "Companies" for carrying out the purposes of trade and manufacture

It is observed that within the last quarter of a century a system of barter still prevailed in many parts of India.

The country was too poor in some parts, to own the presence of money, to be able to pay for the convenience of it. Now, on the contrary, the rupee has penetrated everywhere, and it is doubtless true, as remarked by His Excellency Sir Bartle Frere, that one of the causes of the increased demand for silver and gold, may be found in the simple fact, that in such lately pauper districts, an entirely new circulation has had to be recently supplied.*

Let us add to this cause another Let us recollect that countless individuals, who must be reckoned by scores of millions have respectively come to be the possessors of small portions of reserve wealth which they either consume, save, or employ in reproduction We shall then be able to form some idea of the immense but comparatively new demand for increased means of metallic currency, which cannot be measured by European or American experience

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* See *supra*, Chapter II Definition of Currency

What then have we to note? It is simply this: India has within the last generation passed from a state of poverty to one of comparative wealth, this being shown by all those signs which we are accustomed to consider as certain unerring symptoms of prosperity and wealth in the communities of Europe, viz., the cheapening of the precious metals with regard to other commodities, increased power of consumption among the people, the great and still growing demand for new means of metallic circulation, the augmented demand for labor, the development or the creation of the expedients by which in civilised and rich countries it is sought to economise the labor of man and beast in every form. CHAP. IX

It is thus seen that what I have more than once alluded to as disturbing causes, in their effect on ancient values in India, have been of late very great. While on the one hand, accidents have tended to slightly raise the value of silver in foreign countries in which exists the legal coin of the Indian Empire, on the other the material development, consequent on an era of peace and prudence and fairly good government, have much more enhanced the value of domestic productions and therefore of the cost of labor in India itself, comparative competency flowing in on countless individuals, and great wealth on very many.

Such facts alone must convince every one that, putting all other reasons on one side, we have in these circumstances an ample cause for great increase in the circulating medium.

The vastly augmented numbers of transactions as compared with former times, the rise of wages throughout the country following on the demand for labor, together with the increased market value of all commodities as shown by selling price, have called for a great addition to the amount of metallic money in circulation and in deposit, for the mere execution of business.

This would be a certain result in any country in a condition of rapid progress, but it is tenfold more so in India, if we take into consideration the habits of the people, which have been adverted to in a preceding Chapter. These habits, it will be remembered, preclude the idea of a paper currency being allowed the fair play which it obtains in more advanced countries.

There is yet another consideration.

It is doubtless true that the addition to wealth among the people at large will produce a change of manners at no very distant date. We shall ultimately see commodities imported into India for the satisfaction of luxury and comfort among classes to which such matters have been hitherto unknown. The change of manners has already taken place in Bombay itself, and importations are seen accordingly to meet new wants.

Perhaps the change may be said to be beginning to make itself felt in the provinces, since the great flux of prosperity poured on the merchant and cultivator by the cotton crisis.

If this be so, it can be but a very slender beginning We must wait for some years before we can expect that the Indian mind generally will undergo a great change It will not immediately look for value in increased comfort, such as is to be obtained from imported manufactured commodities, to which it is as yet not accustomed. It will still prefer to revel in the possession of a certain quantity of silver and gold and to be satisfied with such further consumption as is in accordance with the productions of the country and the prevalent notions of enjoyment.

The old craving for the precious metals is as strong as in the days of poverty This cannot therefore but cause the disappearance from circulation of great masses of metallic capital, the ancient habits of the people thus combining with the new activity of their modern commerce and industry to stimulate the demand for the metals, to increase the amount of deposits, and therefore to cheapen the value of the metals, to reduce them in price, as compared with other commodities

This process, half economical and half social, by which values are thus disturbed, has been proceeding in the Bombay Presidency in a very marked manner Great numbers of the population are afflicted almost to starvation on the one side by the rise in prices, viz., those who live on very small fixed incomes, while the fortunate owners and tenants of the land and the merchants and shop-keepers on the other, are overwhelmed as it were with the silver and gold which has been heaped on them, and with which as yet they hardly know what to do, beyond amassing it in a glittering heap, turning copper bangles into silver bangles, and silver ornaments into gold ones

The union of the old social causes with the economical one of material improvement, the two operating towards the same conclusion, which

drags the precious metals from the West to the East, is one of the circumstances of the difficulty the currency of India now encounters, which has the most escaped consideration.

The fact is powerful in showing, that even if silver was adequate to the wants of Indian circulation before the setting in of the late prosperity, it is no longer so. For unless corrected by the determination of the people to have gold as a representative of value, whether or not it be coined into money, the circumstances of improvement would all react in raising the value of silver, and therefore in adding to the burthen of those who have contracted to pay value according to the nominal legal tender of the day, for, as already shown, an addition to the functions of the circulating medium must add to its value as a commodity, because more of it is drawn from the other uses for which it is produced.

The correction of the wants of the currency has been enforced by the practice of the people. It is evident that in the popular estimation, gold is a representative of value equally with silver, and the people are determined that it shall so remain. The popular instinct has been wonderfully true to its own interest In spite of the legal restriction conveyed in the sole legal tender of silver, the instinct operates largely to do what has been done in France and the United States by means of the double standard * That is to say, the force of that instinct has generally maintained the former relative value† of gold and silver in India, although with a slight depreciation of the former, by compelling the large importations and the distribution of gold, in spite of the prohibitions to discharge obligations in coins of that metal.

The value of the phenomenon here noted with regard to the question before us is immense, it being evident that‡ *both gold and silver* have been for a long time bought at remunerative prices in Europe for the purpose of exportation to India.

If silver is cheaper in Europe, Australia, and America than it is in India, so is gold, that is to say, the commodities returned on account of the two metals, are more in demand in the other quarters of the globe, than the metals are.

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* Vide *Supra*, Chapter V. † Vide Appendix, Tables of Value ‡ Vide Tables F G.

On the other hand, in India itself the metals, owing to the abundant importation to the East are cheap with respect to all other commodities and to the hitherto customary cost of Indian labor But the cheapness affects *both silver and gold alike*, and the relative value of the two metals has been only slightly affected in India because, although, gold has been legally demonetised the instinct and ancient custom have been triumphant in retaining gold as a representative of value and are causing it to perform some of the most important functions of money

Can further proof be required of the illusion under which Mr Wilson must have proffered his advice in 1859, and the Government of India issued its prohibitory orders to receive gold at the Treasuries in 1852?

We are therefore again brought to the point reached in the last Chapter viz, that on *account* of the convenience of the people thus resting on new economical grounds as well as the old social ones we are bound to follow the lead they have given us, to afford an administrative form and sanction to a gold currency

However strange it may at first sight appear it is doubtless true, that the popular instinct has saved us from much difficulty in giving practical effect to the necessary arrangements.

Thus knowing as we do that the importation of gold has been of late years proceeding at an accelerated ratio as compared with former times that consequently immense masses of gold are held in the country, and that the gold so held must proportionally have displaced silver, we cease to fear an alarming depreciation of the value of the latter when it shall be partially and gradually demonetised by the introduction of a gold currency

It being thus clear that great stores of reserve value are maintained in gold by the practice of the people we are saved from the dread of committing ourselves to a measure which may in any manner interfere with the national tastes, or invade the national notion of value, with regard to the discharge of obligations in their integrity

Such reflections are especially important to us as removing even the faintest idea of want of equity towards the holders of silver whether they be wealthy capitalists, or the poor who in individual slender savings build up national deposits as islands of coral are produced in the ocean

These considerations have a like weight in answer to the objection which has been conjured up, but it is hoped has now been dispelled, with

regard to the fanciful assumption that in the discharge of obligations the actual metal of the fortuitous legal tender or current coin must be absolutely considered, instead of the value it represents. CHAP X.

We may believe with certainty in consequence, that no change of any importance in the popular consideration of the value of the silver rupees, could ensue on the introduction of a gold currency. Existing stores of silver would be absorbed gradually but certainly in manufacture, and by the universal taste for jewellery among all classes, rich and poor, the only effect being that the importation of silver would diminish, perhaps might almost cease for a time, while an impulse would be given to the importation of gold

As respects national tastes and desires, we should but revert to a concurrence with the habit of thought, which has been sufficiently powerful to resist the enforcement of the sole legal standard absolutely ordered in 1852, in opposition to the old customs of India, and to the practice of all Governments preceding ours, that practice having been our own till a recent date.

CHAPTER X

Caution necessary in the mode of Introduction of the Gold Currency —Transition period of double legal tender —Token Coinage inadmissible during such period.

It is hoped that much of what has preceded may be borne in mind, in considering how practical effect may be best given to the demand made for the introduction of a gold currency into India.

The social facts of India to which allusion has been made, as well as the illustration afforded by other countries in similar circumstances of change, seem especially worthy of reflection, when we determine what is to be done in the matter before us

Thus knowing as we do that an immense quantity of silver coins is held in the country, a considerable time must elapse before the masses of silver which are in deposit and in circulation, can make place for gold This is so on two accounts.

A sufficiency of gold coinage cannot make its appearance *per saltum* in exchange for the silver. Time is required for the mere mechanical operations of the Mint, and when the gold has been coined, for its further distribution through the country. It is evident that, if a hasty

order were given to make payment of revenue receivable only in gold, the gold coins actually in existence would go up to an extravagant price, because more would be demanded than are now probably to be found in the market, whatever the exertions made by the money-changers.

Secondly, it is most desirable on other accounts, that whatever change is made should take place most gradually according to the demand evinced by the people, as the mode in which it may operate on their interests dawns on them.

We cannot be too careful to avoid the charge which might be justly made if by a sudden and absolute demonetization of silver, we were suddenly to reduce its value in the local markets This consideration has great weight with regard to the amount of silver now in the country The *gradual* and due absorption of that metal, is demanded by every principle of justice and equity, before gold can be *absolutely* substituted for silver in the currency Absolute substitution is a very different thing from adding gold money to the present existing silver money

We must be further careful as a matter of social policy not to disturb the popular, existing and healthy notions with regard to value and exchange To ensure this when we present to the people coins of the two metals for general use, instead of one as heretofore, we must not interfere with the reigning idea, that the coins of both metals are valued by the people on account of their intrinsic value that is to say, of the amount of the metals actually contained in the coins. For some time to come both metals when in the form of coin, must run their chance as commodities of trade without assistance

Relative Mint values with regard to certain considerations being fixed between gold and silver the facts of the ultimate settlement of the particular function of money will determine themselves according to the laws it has been sought to illustrate.*

In such respects, then we have but to follow the example which has been set to us by the United States and by France We are forced to admit the necessity of a transition period of double legal tender, during which gold and silver must be permitted to compete on their own merits The facts and arguments before stated, are sufficient to determine the ultimate success of the gold †

* Vide *supra* Chapter V on the double standard of value.

† Vide *supra* Chapter II on "The economy of Gold as the medium of currency a compared with Silver;" also Chapter IX, on "The demand for a gold currency as declared by the popular instinct of India."

The necessity of a transition period being admitted, we must infer that a token coinage could not be issued during such period. CHAP X

The success of a token coinage is the practical evidence that one metal, gold, has been substituted successfully in currency and deposit for another metal, silver. The power to introduce a token coinage, and to cause it to be adopted generally, is a result of the completeness of the change, which has been effected by the operation of the superiority of gold over silver, for the performance of the functions of currency and deposit in a wealthy country. A token coinage is then the consequence of a perfected antecedent.

To apply a silver token coinage, before the change from silver to gold has been finally effected at large in currency and deposit, would therefore be to apply a result, in anticipation of the causes which may hereafter render a token coinage expedient, but as yet have not come into operation.

Let it further be carefully borne in mind, that a necessity of a token coinage of silver for small transactions, is the sign that silver no longer exists in any quantity in a country. When the necessity of a token coinage is felt, silver is no longer found in deposit to meet the demands of foreign trade, or to represent the reserve value kept in store by a community The necessity of the token coinage is the indication that the silver in a country does not more than suffice for the purposes of manufacture and jewellery, and that none is left for the discharge of large obligations

In India we know that the direct contrary is the result of the very measures we have taken of late years, to monopolise the functions of money in silver to the depreciation and expulsion of gold, however much our measures may have been corrected by the popular instinct Consequently, in India, the cause which necessitates a token coinage does not yet exist

There is, besides, another reason, which is strongly opposed to the introduction of a token coinage, until it shall have been ascertained by the people to be necessary, because of the disappearance of silver from circulation and deposit, as was shown in the case of the United States in 1853.

The argument against a premature token coinage, and against a hasty forcing forward of a Bank-note circulation, is identical The

people of the empire generally are not educated to the point of receiving, either a token coinage or Bank notes as representatives of value which intrinsically they do not possess

The disappearance of silver may ultimately force the people to appreciate the superior convenience and profit to themselves as afforded by a token coinage in the place of full weight silver rupees and full weight fractional parts of a rupee

Till the cause has taken place, viz., the disappearance of silver from circulation and deposit, we can well afford to wait

For in truth the primary use of a token coinage is to atone as a matter of convenience for the absence of silver The secondary and equally important use of a token coinage is to fix the metallic currency, and to protect it from the chance of further fluctuation, when the substitution of gold for silver has been finally carried out.

I think therefore, we may assume that on the introduction of a gold currency, a period of double legal tender must be undergone, while the substitution of gold for silver is gradually taking place in the currency and deposits of India.

Secondly, so long as the double legal tender or period of transition lasts, a token coinage would be inconsistent and indeed impossible in such a condition of things

Thirdly that so soon as in the course of years the substitution of gold for silver in currency and deposits has been effected, it will be possible and in all probability prudent, to introduce a token coinage.

With respect to the latter conclusion, we must not hope that the rapidity of the process of substitution which was perceived in the United States, will be seen in India.

It is not improbable that what four years could do in the former, may require the period of a generation in the latter This however, is but another argument for doing nothing hastily and against urging any measure which might attempt to force the natural growth of opinion and appreciation.

CHAPTER XI.

CHAP XI

Conclusion

The Denomination of the Rupee to be retained as a matter of course—How Sovereigns may be used—The equivalent of Gold and Silver declared in Act XVII of 1835 may be maintained—Legal tender of Gold in addition to that of Silver should be created on such a basis.

It will, I presume, be conceded, that whatever we may do in the matter of introducing a gold currency, we must retain the denomination of value in which all obligations have hitherto been contracted

As the franc has been preserved in France, and the dollar in the United States, the gold value of both alike having been gradually substituted in currency and deposit for the old silver value, so must the rupee continue to assert its ancient position in India, whether its value be represented in gold or silver.

It is expedient that gold coins, struck for the purpose of domestic exchange, should be multiples of the rupee as laid down in the Act of 1835.

It is not to be expected that any foreign coin, which has been called into existence with regard to another basis of calculation, can be an exact multiple of the rupee

In an accidental state of the money market, amidst the fluctuations of exchange, circumstances might occur for a single day, to render the foreign gold coin such an exact multiple for a moment in the market prices.

The price would be abnormal

To adopt the *foreign* gold coin into a *native* circulation on such terms, to declare that it shall be the permanent multiple of the silver native coin, because on one particular day it happened accidentally to be so, would be to give permanence to an abnormal circumstance, and in all probability to attempt to fix a scale of relative values of the metals, which is not borne out by the facts of general *domestic* exchange.

Thus the idea has been entertained, that it would be very convenient to use the introduction of a gold currency into India in such a manner, to establish the sovereign in India as it is in England and Australia, to seize on a particular time when amid the fluctuations of exchange, the sovereign should represent the exact value of 10 rupees,

and then from henceforth to declare (such value having been momentarily obtained), it should so remain permanently, it being received as legal tender in payment of debts and taxes

But it is clear that if the sovereign is generally worth more or less than 10 rupees, the due estimation will be taken of the fact in foreign markets irrespectively of the considerations which might influence an Indian Government in making such a regulation. If the sovereign was worth more than 10 rupees according to average it would be exchanged to India for a greater value than that of the 10 rupees, and *vice versâ*. In the former case, so far as the function of money is concerned, silver would be paid for taxes and debts, and the sovereign would be retained in deposit or disposed of, as being more valuable than the legal tender the sovereign represents.

In the opposite case if the sovereign in foreign markets was of less worth and could be *imported for less than 10 rupees all taxes* would be paid in it, and silver would be sold at a profit, Government being the loser

There seems to be only one mode of using the sovereign in India in circulation, that being to permit it to be offered in payment, according to the value it bears relatively to the Indian gold coin legally established as the multiple of the rupee, one per cent. being allowed for Mint charges,* to put it on the same footing as gold coined in India.

Thus the British Indian gold mohur being held by the Act of 1835 to be equal to 15 rupees, gives a value of 5*s* 2¼*d* to the ounce of silver + 0½*d*, which may be considered the difference of Mint charge between gold and silver

This being so if the value of the sovereign† be calculated on a similar basis, its worth must be taken Rs. 10-4 4, its intrinsic value at

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* The Bombay Mint charges are as follows —

One per cent. on gold, two per cent. on silver; this is called Seignorage. There is besides a premelting charge of one per mille on silver and ·25 per mille on gold Colonel Ballard remarks that "the difference of charge should be maintained. Gold is cheaper to coin than silver and therefore entitled to the advantage."

† In estimating the relative value of sovereigns and Indian coins for the purpose of circulating the former it is clearly indispensable to burthen sovereigns with the Mint charge to which the domestic coinage is necessarily exposed.

5s. $2\frac{1}{4}d$. being Rs 10-6-1,* the difference between the two sums being that which would represent the Mint charges, if the sovereigns were coined in India instead of being imported. CHAP. XI

Consequently, if it be determined to effect a large coinage of British 15-rupee gold pieces or gold mohurs, and to accept them as legal tender for such value, there would seem to be no objection to permit the sovereign to be also legally tendered at a uniform rate of about Rs. 10 4-0.†

A convenience to the local Mints might be afforded by such a rule, and an important advantage would be gained for the trading community generally, by the fact that gold specie coming from England and Australia, would thus be enabled to take its place in circulation immediately after it was landed.

It is well known that the public is in time of money pressure greatly incommoded by the want of coined money, when the vaults of the Mints are crammed with bullion, which it cannot work off into coin under two or three months. This happened in November of 1863, and is again the case now in March of 1864.

Surprise has sometimes been expressed at the fact, that even while gold was receivable at the Treasuries in payment of taxes, so little was ever offered by the people in former times

The reason of this may perhaps be stated to be the same as that which drove gold away from France‡, between the years 1801 and 1850.

The value of gold was really considerably greater in the Indian market than it was rated by law in the Act of 1835

Thus Colonel Ballard, the Master of the Bombay Mint, estimates that the value given to silver by that Act, after deducting the Mint charges on coining, is 5s $2\frac{1}{4}d$. the ounce.

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* Intrinsic value of the sovereign in silver rupees, when silver is worth—

		Rupees		Sovereign		
		s	d.	Rs	A	P
4s 11d	per ounce	= 1	9 92	= 10	15	2 18
5s 0d	do	= 1	10 29	= 10	12	3 29
5s 1d	do.	= 1	10 66	= 10	9	5 53
5s $1\frac{1}{2}d$	do	= 1	10 $84\frac{1}{2}$	= 10	8	1·07
5s 2d	do	= 1	11 03	= 10	6	8 86
5s $2\frac{1}{4}d$	do	= 1	11·12	= 10	6	1 07

† Vide Table A in Appendix, which shows that this rate gives approximately the price which has ruled for several years.

‡ See Chapter V

But as we have seen, Mr Wilson estimated the value of silver, and doubtless with correctness to have been about 4s 11*d* prior to the gold discoveries. At this price the sovereign is worth very nearly 11 rupees, the British gold mohur struck to represent 15 rupees, being on such terms worth more than 16 rupees. Consequently the Indian Act of 1835 declared silver to be worth 8½*d.* per oz. more than it really was, as interpreted in the price of gold by the public.

This being so, it is evident that, so far as the payment of taxes was concerned, it was absolutely contrary to the interest of the tax payer to pay in gold, and he accordingly did not do so Gold remained a commodity of trade in the British Provinces and was very rarely offered at the Mints for coinage. The Native Mints, on the other hand, have, it is said, continued to be comparatively active in turning off gold coins, which have always been in high estimation, as an irregular vehicle of value among the subjects of British India.

Circumstances have however combined to establish the price of silver at about 5s 2*d* At this present date it is indeed higher, it having reached 5s 2¼*d* or closely to the price indicated by the Act of 1835, with respect to the value of the British gold mohur of 15 rupees after allowing for Mint charges

The causes which have been alluded to, viz., the demonetisation of gold in India under the orders of the British Government, and the importation of gold which has taken place notwithstanding that demonetisation combined with the favorable balance of trade, seem thus to have generally corrected the original error of official calculation with respect to the relative values of gold and silver just as the discovery of the gold mines and the imprudent conduct of other Governments, had corrected a similar official error of calculation in France.

That is to say, the rupee has come to have nearly the value in gold, which was formerly but erroneously attributed to it

This being so, we are perhaps relieved from a very difficult and responsible duty We are saved from entering into a calculation, with an intention of readjusting the legal equivalents of gold and silver in India.

It appears that we may simply take the basis* laid down in the Act of 1835 as we find it, and leave it entirely undisturbed, so far as this very important part of the question of introducing the legal tender is concerned

* This seems to be accepted in the proviso to 3rd para. of Clause IX of the Act XIX of 1861 for issue of Bank notes in India.

It may perhaps be urged, that the price of silver is now exceptionally high, and that it cannot last, and therefore that it will be found still to exclude gold as it was excluded formerly by the same cause. CHAP XI

There would certainly be some force in the objection, the difficulty being not so much the decreased value of gold, as feared by Mr Wilson, but the value it maintains in India, on account of the estimation in which it is held by the people. The price of the sovereign,* is at this date of writing Rs. 10-6-0 in the Bombay market, which indicates 5*s*. 2¼*d*. the ounce of silver very closely.

The circumstance of price as just stated is not altogether undesirable, as it leaves a certain slight margin for the cheapening of gold which may possibly take place through the ultimate opening of direct trade with Australia Such trade, as observed in the Memorial of the Bombay Chamber of Commerce, will cause gold to come straight to India, instead of making the round by Europe, either there to be exchanged for silver, the latter being bought for exportation to the East, or gold itself coming to the East with the burthen of all the charges consequent on a voyage round the entire globe.

I think, therefore, that we may consider that the values about declared in the practice of recent years will be maintained, and that the superior convenience of a gold currency over a silver one will be sufficient to overcome any small difference which may remain.

If after the lapse of a few years, practice should declare that the relative values of gold and silver asserted in Act XVII of 1835, remains nevertheless more favorable to silver than may be sanctioned by average market prices, gold being thereby forced out of circulation, it would then be for the administration of the day seriously to entertain the question of readjusting the legal equivalents.

In the mean time, the values† asserted by the Act, being removed but slightly from the actual selling prices of the two metals at the

* Owing to certain reasons connected with exchanges, into which it is not now necessary to enter, this price is liable to oscillate, being now greater and now less. The tendency of gold of late years has been to rise in value as compared with the prices of 1857-58 See Appendices A, D, E, and F

† Lieutenant Colonel Ballard, of the Bombay Mint, has favored me with the following note —

"By the Act of 1835, the value given to silver, taking the intrinsic value of these coins (those stated in the Act) is about 5*s* 2¾*d* Allowing one per cent for the extra cost of coining silver, it would give about 5*s*. 2¼*d* , so at the present rate it would not be a bad basis"

A

Average price of the Sovereign in Bombay

Years.	Jan. Rs. A. P	Feb Rs. A. P.	March. Rs. A P	April Rs. A. P	May Rs. A. P	June. Rs. A. P	July Rs. A P	August. Rs. A. P	Sept. Rs. A. P	Oct. Rs. A. P	Nov Rs. A. P.	Dec. Rs. A. P	Average. Rs. A. P
1857 ...							10 1 9	10 3 6	10 3 3	10 3 0	10 2 6	10 1 0	10 2 7
1858 ...	10 1 0	10 1 6	10 2 0	10 3 0	10 0 3	10 1 6	10 3 6	10 3 6	10 2 6	10 1 6	10 3 0	10 4 6	10 2 2
1859	10 0 6	10 4 4	10 5 0	10 7 0	10 0 6	10 3 6	10 5 9	10 6 0	10 6 6	10 6 3	10 5 0	10 4 9	10 5 9
1860 ...	10 3 3	10 1 9	10 1 6	10 3 9	10 5 2	10 5 0	10 6 3	10 7 0	10 9 0	10 7 9	10 6 9	10 6 8	10 5 4
1861 ...	10 5 0	10 4 3	10 4 3	10 4 6	10 4 9	10 4 9	10 4 9	10 5 3	10 5 3	10 5 0	10 5 0	10 4 0	10 4 0
1862 ...	10 4 0	10 4 0	10 5 8	10 5 6	10 6 9	10 5 3	10 5 0	10 4 9	10 5 3	10 5 0	10 5 0	10 4 6	10 5 0
1863 ...	10 4 0	10 4 0	10 5 0	10 5 3	10 5 6	10 4 8	10 3 9	10 4 3	10 3 10	10 3 6	10 3 6	10 3 0	10 4 1

B

Average price of Bar Silver in the Bombay Market..

For 100 *Tolas*

Years.	Jan. Rs. A.	Feb. Rs. A	March. Rs. A.	April. Rs. A.	May Rs. A.	June. Rs. A.	July Rs. A	August. Rs. A.	Sept. Rs A.	Oct. Rs. A.	Nov Rs. A.	Dec. Rs. A	Average Rs. A P
1858	104 9	105 9	105 0	105 0	104 10	104 4	104 4	104 4	104 4	104 4	105 4	106 4	104 12 8
1859 ...	105 14	104 12	104 14	104 12	103 10	104 8	105 5	105 0	105 8	106 0	106 3	100 6	105 3 0
1860 ...	106 3	100 1	106 2	108 5	108 7	106 10	107 8	107 12	108 8	108 10	107 3	106 12	107 0 6
1861 ...	106 2	105 6	105 6	106 8	106 2	106 5	106 12	107 3	106 14	106 8	105 14	105 14	107 3 4
1862 ...	106 0	106 2	106 6	106 6	106 5	106 13	106 12	106 10	106 10	106 6	106 5	106 2	106 6 0
1863 ...	106 6	106 2	106 3	106 5	106 10	106 14	107 1	106 11	106 8	108 2	105 10	105 5	106 5 3

C.

Average price of Bar Silver in England

Per ounce Standard

Years	Jan		Feb		March		April		May		June		July		August		Sept		Oct		Nov		Dec.		Average	
	s	d	s	d	s	d	s	d	s	d	s	d	s.	d	s	d	s	d	s	d	s	d	s	d	s	d
1856	5	$1\frac{1}{8}$	5	$1\frac{1}{4}$	5	$0\frac{7}{8}$	5	1	5	1	5	$1\frac{1}{8}$	5	$1\frac{1}{4}$	5	$1\frac{1}{2}$	5	$1\frac{5}{8}$	5	2	5	$2\frac{1}{2}$	5	$1\frac{1}{2}$	5	$1\frac{3}{8}$
1857	5	2	5	$1\frac{3}{4}$	5	$1\frac{1}{4}$	5	$1\frac{3}{4}$	5	$1\frac{5}{8}$	5	$1\frac{7}{8}$	5	$1\frac{1}{2}$	5	$1\frac{7}{8}$	5	$1\frac{5}{8}$	5	$1\frac{7}{8}$	5	$1\frac{1}{4}$	5	$2\frac{1}{8}$	5	$1\frac{1}{4}$
1858	5	$1\frac{5}{8}$	5	$1\frac{3}{4}$	5	$1\frac{1}{2}$	5	$1\frac{3}{8}$	5	$1\frac{1}{2}$	5	$1\frac{1}{4}$	5	$1\frac{3}{8}$	5	$0\frac{7}{8}$	5	$0\frac{7}{8}$	5	$1\frac{3}{8}$	5	$1\frac{3}{4}$	5	$1\frac{1}{2}$	5	$1\frac{1}{8}$
1859	5	$1\frac{7}{8}$	5	$1\frac{3}{4}$	5	$2\frac{1}{8}$	5	$2\frac{1}{4}$	5	$2\frac{1}{8}$	5	$2\frac{1}{8}$	5	$2\frac{1}{4}$	5	$1\frac{5}{8}$	5	$1\frac{1}{4}$	5	2	5	$2\frac{1}{8}$	5	2	5	2
1860	5	$2\frac{1}{4}$	5	$2\frac{1}{8}$	5	2	5	$1\frac{5}{8}$	5	$1\frac{5}{8}$	5	$1\frac{5}{8}$	5	$1\frac{1}{2}$	5	$1\frac{1}{4}$	5	$1\frac{5}{8}$	5	$1\frac{5}{8}$	5	$1\frac{1}{4}$	5	$1\frac{1}{2}$	5	$1\frac{5}{8}$
1861	5	$1\frac{1}{4}$	5	$1\frac{1}{4}$	5	$0\frac{3}{4}$	5	$1\frac{3}{8}$	5	$0\frac{3}{4}$	5	$0\frac{5}{8}$	5	$0\frac{1}{4}$	5	$0\frac{1}{4}$	5	$0\frac{1}{2}$	5	$0\frac{1}{4}$	5	1	5	$1\frac{1}{8}$	5	$0\frac{3}{4}$
1862	5	$1\frac{3}{8}$	5	$1\frac{5}{8}$	5	$1\frac{1}{4}$	5	$1\frac{1}{8}$	5	$1\frac{3}{8}$	5	$1\frac{1}{8}$	5	1	5	$1\frac{1}{8}$	5	$1\frac{3}{8}$	5	$1\frac{1}{8}$	5	2	5	$1\frac{5}{8}$	5	$1\frac{3}{8}$
1863	5	$1\frac{5}{8}$	5	$1\frac{1}{2}$	5	$1\frac{1}{2}$	5	$1\frac{1}{8}$	5	$1\frac{3}{8}$	5	$1\frac{3}{8}$	5	$1\frac{1}{8}$	5	1	5	$1\frac{1}{4}$	5	$1\frac{3}{8}$	5	$1\frac{1}{2}$	5	$1\frac{1}{2}$	5	$1\frac{1}{4}$

D.

Average price of Gold Bars (98 touch) in Bombay

Years	Jan		Feb		March		April		May		June		July		August		Sept		Oct		Nov		Dec		Average		
	Rs	A	Rs	A	Rs	A	Rs	A	Rs.	A	Rs	A	Rs	A	Rs.	A	Rs	A	Rs	A	Rs	A	Rs	A	Rs	A	P
1858	15	11	15	14	16	0	16	0	15	12	15	11	15	10	15	5	15	14	16	0	16	6	16	8	15	14	3
1859	16	6	16	4	16	6	16	4	16	3	16	9	16	10	16	11	16	12	16	12	16	8	16	10	16	8	0
1860	16	8	16	5	16	3	16	4	16	7	16	9	16	10	16	11	16	12	16	8	16	4	16	2	16	7	0
1861	16	0	16	2	16	2	16	2	16	3	16	2	16	0	16	7	16	5	16	2	16	2	16	2	16	2	6
1862	16	1	16	1	16	2	16	4	16	5	16	5	16	2	16	2	16	2	16	3	16	2	16	1	16	2	6
1863	16	0	15	14	15	14	16	3	16	7	16	6	16	5	16	6	16	6	16	4	16	2	16	2	16	0	5

E

Quotations of Gold Leaf only —Fluctuations noted in this List

Date.	China Gold Leaf 100 touch.	Rs.	A.	P.
1858.				
Dec. 6	China Gold Leaf	16	12	0
" 8	Do	16	9	0
" 14	Do.	16	6	0
16	Do	16	10	0
" 24	Do	16	9	0
" 28	Do.	16	11	0
31	Do	16	12	0
1859				
Jan. 14	Do	16	10	0
" 20	Do	16	9	0
" 26	Do.	16	11	0
29	Do.	16	10	0
Feb 4	Do	16	9	0
" 8	Do	16	10	0
11	Do.	16	9	0
" 15	Do	16	10	0
" 18	Do.	16	9	0
28	Do	16	10	0
May 10	Do.	16	2	0
" 23	Do.	16	9	0
July 16	Do.	16	15	0
" 20	Do.	17	0	0
" 30	Do.	16	15	0
August 3	Do.	16	14	0
" 16	Do.	16	15	0
20	Do	17	0	0
30	Do.	17	2	0
Sept. 7	Do	17	4	0
" 9	Do.	17	6	0
30	Do.	17	4	0
Oct. 4	Do.	17	3	0
14	Do	17	2	0
" 17	Do.	17	1	0
" 26	Do.	17	0	0
Nov 5	Do	16	12	0
" 11	Do.	16	11	0
" 3	Do.	16	13	0
29	Do	16	12	0
Dec. 5	Do.	16	15	0
9	Do.	16	14	0
" 10	Do.	16	15	0
12	Do	16	14	0
" 27	Do.	16	15	0
1860.				
Jan. 9	Do.	16	14	0
" 15	Do.	16	12	0
" 23	Do	16	7	0

Date.	China Gold Leaf, 100 touch.	Rs	A.	P
1860.				
Jan 30	China Gold Leaf	16	8	0
Feb. 2	Do.	16	4	0
8	Do	16	5	0
" 10	Do Nominal	16	0	0
11	Do. do	16	4	0
20	Do.	16	2	0
29	Do.	16	10	0
March 9	Do.	16	9	0
19	Do.	16	10	0
31	Do.	16	10	6
April 4	Do.	16	9	0
11	Do	16	8	0
16	Do.	16	9	0
18	Do.	16	6	0
" 21	Do.	16	0	6
" 24	Do.	16	11	0
" 30	Do	16	12	0
May 9	Do	16	15	0
24	Do.	16	13	0
26	Do.	16	14	0
June 2	Do.	16	15	0
" 5	Do	16	14	0
" 11	Do.	16	15	0
14	Do.	16	14	0
15	Do.	17	0	0
25	Do	16	15	0
" 30	Do. Nominal	17	0	0
July 5	Do.	17	1	0
12	Do	17	0	0
" 27	Do.	17	1	0
August 16	Do.	17	3	0
25	Do.	17	4	0
Sept. 26	Do	17	2	0
" 29	Do	17	1	0
Oct. 5	Do	16	15	0
20	Do	16	14	0
26	Do	16	11	0
Nov 2	Do.	16	11	6
6	Do.	16	11	0
" 7	Do	16	10	0
30	Do	16	9	0
Dec. 6	Do	16	6	0
13	Do.	16	9	0
" 18	Do	16	11	0
" 27	Do.	16	12	0
1861				
Jan 4	Do	16	15	0

E.—*continued.*

Quotations of Gold Leaf only,—Fluctuations noted in this List

Date	China Gold Leaf, 100 touch	Rs	A	P
1861				
Jan 8	China Gold Leaf	16	10	0
,, 14	Do	16	8	0
,, 23	Do	16	4	0
,, 31	Do	16	8	0
Feb 8	Do	16	10	0
,, 12	Do	16	9	0
,, 19	Do,	16	12	0
,, 25	Do	16	10	0
March 8	Do	16	7	0
,, 12	Do	16	8	6
,, 21	Do	16	7	0
,, 27	Do	16	8	0
April 18	Do	16	7	0
,, 20	Do	16	6	0
,, 25	Do	16	7	0
May 1	Do	16	8	0
,, 7	Do	16	9	0
,, 11	Do	16	10	0
,, 20	Do	16	12	0
,, 27	Do	16	10	0
June 4	Do	16	12	0
,, 11	Do	16	11	6
,, 19	Do	16	9	0
,, 28	Do	16	10	0
July 2	Do	16	10	6
,, 8	Do	16	10	0
Aug 5	Do	16	12	0
Sept 5	Do	16	11	0
,, 13	Do	16	10	0
,, 17	Do	16	9	0
Oct 3	Do	16	7	0
,, 9	Do	16	6	0
,, 18	Do	16	7	0
,, 23	Do	16	6	0
,, 29	Do	16	4	0
Nov 6	Do	16	0	0
,, 14	Do	15	14	0
,, 27	Do	16	2	0
Dec 16	Do	16	1	0
,, 30	Do.	15	15	0
1862				
n 2	Do	15	14	0
10	Do	15	13	6
17	Do	15	15	0
28	Do	15	13	0
13	Do	15	14	0
20	Do	15	15	0
3	Do	15	14	0

Date	China Gold Leaf, 100 touch	Rs	A	P
1862				
March 26	China Gold Leaf	15	13	0
April 15	Do	16	0	0
,, 27	Do	16	3	0
,, 29	Do	16	2	0
May 2	Do	16	3	0
,, 21	Do	16	5	0
,, 29	Do	16	6	0
June 2	Do	16	7	0
July 12	Do	16	8	0
,, 26	Do	16	6	0
August 12	Do	16	7	0
Sept 12	Do	16	9	0
,, 30	Do	16	8	0
Oct 16	Do	16	10	0
,, 31	Do	16	12	0
Nov 8	Do	16	11	0
,, 21	Do	16	9	0
,, 25	Do	16	5	0
Dec 8	Do	16	6	0
,, 17	Do	16	5	0
,, 23	Do	16	6	0
1863				
Feb 6	Do	16	4	0
,, 27	Do	16	7	0
March 27	Do	16	6	0
April 8	Do	16	7	0
,, 10	Do	16	8	0
,, 20	Do	16	9	0
,, 27	Do	16	12	0
May 7	Do	17	0	0
,, 8	Do	17	2	0
,, 12	Do	17	8	0
June 6	Do	17	2	0
,, 8	Do	16	14	0
,, 16	Do	16	12	0
July 30	Do	16	13	0
August 17	Do.	16	14	0
,, 27	Do	16	12	0
Sept 10	Do	16	10	0
,, 21	Do	16	12	0
Oct 2	Do	16	9	0
,, 5	Do	16	10	0
,, 31	Do	16	6	0
Nov 4	Do	16	4	0
,, 13	Do	16	0	0
Dec 21	Do	16	4	0
1864				
Feb 8	Do	16	4	0

F

Price of Gold at Calcutta, per tola of 23 Carats, showing average per ounce of 22 Carats

Years.	January	February	March	April.	May	June.	July	August.	September	October	November	December	Average per Tola of 23 carats.	Average per oz. of 22 carats at 2s. per Rupee.
	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	Rs. A. P	£ s. d.
1853 —	15 [illegible] [illegible]	15 4 [illegible]	15 [illegible] [illegible]	15 [illegible] [illegible]	15 [illegible] 0	15 [illegible] 0	15 4 [illegible]	15 0 0	15 10 [illegible]	15 10 [illegible]	15 10 0	15 10 0	15 7 2	[illegible] 10 10
1854 —	15 4 [illegible]	15 [illegible] [illegible]	15 0 [illegible]	15 4 [illegible]	15 1 0	15 4 0	15 4 [illegible]	15 11 [illegible]	15 13 0	15 10 [illegible]	16 0 [illegible]	16 [illegible] 0	15 7 [illegible]	[illegible] 10 [illegible]
1855 —	15 10 [illegible]	14 [illegible] [illegible]	16 0 0	15 14 [illegible]	15 12 0	15 9 0	15 [illegible] 0	14 14 0	15 0 0	14 14 0	15 0 0	14 10 0	15 0 [illegible]	[illegible] 18 0
1856 —	14 [illegible] [illegible]	14 [illegible] [illegible]	14 [illegible] 0	14 12 [illegible]	14 10 0	14 11 [illegible]	14 [illegible] 0	14 11 0	14 11 0	14 14 0	15 [illegible] 0	15 [illegible] [illegible]	14 11 [illegible]	[illegible] 15 2
1857 —	14 14 [illegible]	15 [illegible] 0	15 [illegible] [illegible]	15 3 [illegible]	14 4 0	15 [illegible] [illegible]	15 [illegible] 6	15 7 [illegible]	16 0 0	15 [illegible] 0	15 2 0	15 0 0	15 4 [illegible]	[illegible] 17 11
1858	15 4 [illegible]	15 [illegible] [illegible]	15 [illegible] [illegible]	15 [illegible] [illegible]	15 [illegible] [illegible]	15 10 [illegible]	15 [illegible] 0	15 6 0	15 7 0	15 10 [illegible]	15 10 [illegible]	15 14 [illegible]	15 7 [illegible]	[illegible] 10 [illegible]
1859 —	15 13 [illegible]	15 12 [illegible]	15 14 [illegible]	16 8 [illegible]	16 [illegible] 0	15 12 0	15 10 [illegible]	16 [illegible] 0	16 5 0	16 5 0	15 14 0	15 11 0	15 15 7	4 1 6
1860 —	16 15 [illegible]	15 7 [illegible]	15 [illegible] [illegible]	15 4 0	15 13 [illegible]	15 [illegible] 0	15 10 0	15 14 0	15 12 [illegible]	15 15 0	15 15 0	15 0 0	15 [illegible] [illegible]	[illegible] 19 6
1861 —	15 [illegible] [illegible]	15 [illegible] [illegible]	15 13 0	15 8 [illegible]	15 [illegible] [illegible]	15 [illegible] [illegible]	15 [illegible] [illegible]	15 4 [illegible]	15 0 0	15 [illegible] 0	15 [illegible] 0	15 [illegible] [illegible]	15 7 4	[illegible] 10 10
1862 —	15 10 [illegible]	15 11 [illegible]	15 12 0	15 10 [illegible]	15 [illegible] 0	15 [illegible] [illegible]	15 [illegible] [illegible]	15 6 0	15 5 [illegible]	15 7 0	15 [illegible] 0	15 [illegible] 0	15 [illegible] 1	[illegible] 19 1
1863 —	15 6 [illegible]	15 7 [illegible]	15 [illegible] [illegible]	15 8 [illegible]	15 12 [illegible]	15 15 [illegible]	15 [illegible] 0	15 [illegible] 0	......	—	......	......	15 [illegible] [illegible]	[illegible] 15 [illegible]
													Average per oz. of 22 Carats £	3 18

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The price of Bar Silver per ounce Standard in London.

Years	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Average
	s d	s. d	s d	s d	s d	s d	s d	s. d	s d	s d	s d	s d	s d
1853	5 1⅜	5 1⅜	5 1⅜	5 1⅛	5 1	5 1	5 1⅜	5 1⅞	5 1⅞	5 1¾	5 2¼	5 1⅝	5 1½
1854	5 1½	5 1⅝	5 1⅞	5 1¾	5 1⅜	5 1½	5 1¼	5 1⅜	5 1¼	5 1¼	5 1¼	5 1⅝	5 1½
1855	5 1½	5 1½	5 1½	5 1⅝	5 1⅜	5 1½	5 1⅝	5 1¾	5 1½	5 1¼	5 1⅞	5 1⅜	5 1½
1856	5 1¼	5 1⅛	5 1	5 1⅛	5 1⅛	5 1½	5 1¼	5 1½	5 1⅝	5 2	5 2⅛	5 1¾	5 1⅜
1857	5 1⅞	5 1¾	5 1¾	5 1¾	5 1⅜	5 1⅞	5 1½	5 2	5 1½	5 1⅞	5 1¼	5 2¼	5 1¾
1858	5 1½	5 1⅝	5 1¾	5 1¼	5 1¼	5 1½	5 1⅛	5 0¾	5 0¾	5 1⅛	5 1¾	5 1½	5 1¼
1859	5 1⅞	5 1¾	5 1¾	5 2¼	5 2⅛	5 2	5 2	5 1⅞	5 1¾	5 1⅞	5 2	5 1⅞	5 1⅞
1860	5 2⅛	5 2⅛	5 2⅛	5 1¾	5 1½	5 1⅜	5 1½	5 1½	5 1	5 1⅝	5 1⅝	5 1⅜	5 1⅝
1861	5 1¼	5 1	5 1	5 1	5 1½	5 0⅝	5 0⅛	5 0¼	5 0½	5 0¾	5 0⅞	5 1⅜	5 0⅞
1862	5 1½	5 1⅝	5 1⅜	5 1⅛	5 1⅛	5 1⅛	5 0⅞	5 1¼	5 1⅜	5 1¾	5 2	5 1¾	5 1⅜
1863	5 1⅝	5 1½	5 1½	5 1	5 1¼	5 1½	5 1⅛	..	.	...	.	..	5 1⅜

To the Right Hon'ble Sir John Lawrence, G C B., &c., *Viceroy and Governor General of India in Council*

The Respectful Memorial of the Madras Chamber of Commerce

Sheweth—That the greatly extended and extending trade of India renders it most desirable the currency should be enlarged to meet the growing wants of the country

That a paper currency, from its economy and facility of transmission, is suitable to a country advancing in civilization, in which the operations of trade are yearly increasing, and that in your Memorialists' opinion India is prepared for such a currency on a widely extended scale

That the existing paper system has not realized the benefits which were anticipated on its introduction owing, as far as this Presidency is concerned to the Presidency district being the only circle of issue, and no effectual measures having been taken to facilitate the convertibility of notes at the Mofussil Treasuries. The circulation has in consequence been of a very restricted character and of very limited advantage

That a well regulated paper currency in the convertibility of which the people felt full confidence, would be generally acceptable to all classes of incalculable advantage in the transactions of commerce, and a source of profit to the State.

That whatever measures may be adopted it is submitted, the end to be kept in view should be the ultimate circulation of notes as a legal tender throughout each Presidency, by which alone can the full benefits of a paper issue be obtained there are doubtless difficulties in the way of the present adoption of such a general measure Your Memorialists however, are of opinion that the immediate creation of circles of issue throughout the country should take place and the Mofussil Treasury Balances be made, as far as possible available for the conversion of notes.

That the acceptance of notes in payment of Government dues everywhere should be at once authorized

That the comparatively low wages of labor in India and consequent multitude of small payments render it desirable the lowest denomination of note should be reduced to Rs. 5 It is believed such notes would speedily come into very general use and extensive circulation

That while the Chamber is of opinion that the extension of the paper issue is of primary importance in the consideration of the question of an improved currency system, it is also of opinion that the introduction of gold as a circulating medium would be of material advantage.

The greater convenience of gold as a coinage compared with silver from its portability, and facility of transmission from place to place, is obvious, and although, from the comparatively small means of the mass of the people of this country, silver must continue to form an important part of the circulation, it is believed a gold currency if introduced would rapidly come into general use. A convenient sub-division of whatever gold coin might be adopted into halves and quarters for the purposes of small payments would be necessary.

The fact that at the present time a large quantity of gold yearly finds its way to India leads to the belief that a coinage of that metal would be generally acceptable.

That the imports of silver into India have of late years been constantly increasing while grave doubts have been entertained whether the production of that metal corresponds to the increasing demand; on the other hand there is reason to believe the production of gold will continue to be sufficient for the wants of the world, and it is therefore desirable India should not be excluded from the use of it as a currency.

That while your Memorialists believe the financial embarrassments through which India has been passing have arisen from a sudden and unlooked for expansion of trade, and could not have been averted or prevented by any currency system, they are nevertheless of opinion that the severity of the crisis would have been to some extent mitigated, and its duration shortened, had gold been in use.

Your Memorialists having thus briefly and generally stated their reasons for believing the present currency might with benefit to the country be amended, respectfully, but urgently, solicit your Excellency in Council to give this important subject your earnest consideration, with a view to the adoption of measures for the early enlargement of the paper issue and the introduction of a gold currency.

By order of the Madras Chamber of Commerce,

A J. BYARD,

Madras, 30th April 1864 *Chairman*

From E H LUSHINGTON, ESQ., *Secy to Govt of India, Finl Dept., to the Chamber of Commerce, Madras*—*No* 474, *dated 28th May* 1864

I am directed to acknowledge the receipt of your Memorial recommending the extension of the Government note currency, and the introduction of a gold currency, and in reply to state that the subject is under the consideration of the Government.

MINUTE BY THE HON'BLE SIR C E. TREVELYAN,

Simla, 20th June 1864.

The Chambers of Commerce of Calcutta, Madras, and Bombay have memorialised the Government of India for a gold currency.

Chambers of Commerce and Native Associations of Calcutta and Bombay.

The application of the Chamber of Commerce of Calcutta is for the appointment of a Committee to inquire into the best mode of introducing gold as an auxiliary currency They are "strongly in favor of the introduction of gold as an auxiliary currency, and as a tentative measure which they believe will gradually, but surely, lead to the adoption of gold as the general metallic currency of this country, with silver as the auxiliary; but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great derangement in the commerce and finance of India, and probably also in the money markets of Europe, if a large quantity of gold were suddenly required to carry out such a change."

The Madras Memorial prays for the extension of the Government paper currency, and the introduction of a gold currency. The Chamber observe that "the comparatively low wages of labor in India, and consequent multitude of small payments, render it desirable that the lowest denomination of note should be reduced to five rupees," and that "a convenient sub-division of whatever gold coin might be adopted into halves and quarters, for the purpose of small payments, would be necessary"

The Memorial of the Bombay Chamber contains an able summary of the reasons for introducing a gold currency, and concludes with earnestly intreating the Government "to take this important question at once into serious consideration and to effect an amendment which is so loudly called for, by introducing a well-regulated gold currency into India"

There is also a Memorial from the Bombay Association, which represents the Native mercantile community. This sets forth that, from time immemorial, India possessed an extensive gold currency, that the

stringent regulations of the British Government have virtually extinguished this currency, but have by no means extinguished its popularity that rude attempts are made by some of the Natives of India to remedy the defects of the present inconvenient silver currency by circulating gold bars authenticated by the stamp of Bombay Banks and, after a general statement of reasons, the Memorialists pray that the Government "will take this question into immediate consideration and restore a gold currency, which the altered circumstances of the world recommend and which your Memorialists believe would be most popularly received in India, both from ancient associations and present convenience."

The Native merchants and bankers of Calcutta had previously, in May 1859, memorialised the Government of India for a gold currency, stating that the Natives of India preferred gold to silver on account of its portability, and the facility which it affords for holding large sums in security The feeling of the Native merchants and bankers of Upper India may be seen from the papers in the Appendix

Appendix No. 1 page 185

The Government of Bombay

Minutes have also been recorded by the members of the Government of Bombay

The Governor proposes that we should in the first place, act on the proviso in the last clause of the 9th Section of Act XIX of 1861, which allows gold bullion or coin to be held to the extent of one fourth of that on which notes are issued and he suggests that the next step will probably be to permit the Government revenue above 10 rupees to be paid in sovereigns He adds that 'it will probably be necessary that we should pass through the inconvenient and anomalous stage of a double or alternative standard'

Mr Frere agrees with the Governor but Mr Inverarity thinks the measure proposed by His Excellency totally inadequate for the introduction into India of a well regulated gold currency, and supports the views contained in a letter from Mr Walter Cassels to the Governor, of the 1st of January 1864 The practical proposals contained in this able letter are as follows —

"Placed as India is in a manner is between gold producing countries and Europe, the first consideration must be to fix the Indian Mint value of gold, so as to preserve a fair mutual equilibrium of value between ourselves Australia and England This value, therefore should not be so

high as to render it profitable for Australia to send gold to be coined at our Mints, nor should it be so low as to admit of the advantageous export of our gold coin as bullion to Europe

"It is likewise highly important that, as much as possible, a gold coinage should, for the present, be built upon the existing silver currency, so as to introduce the change with as much regard to private interests as may be. I therefore venture to suggest the issue of gold coins similar to the sovereign and half-sovereign, and respectively representing ten and five rupees, with subsidiary silver token coins, of limited tender, rated seven to ten per cent above their real value The existing silver coin might, for the present, be allowed to continue legal tender to the extent even of five hundred rupees, and this limit might hereafter be reduced according to circumstances The new gold coins should be of an intrinsic value, which should place them on a safe basis in relation to the old rupees, and they could, by subsequent alteration of the limit of tender, be protected, if necessary, from the effect of any unforeseen fluctuation in value Possessing, as they do, a well known intrinsic worth, the old rupees would no doubt, for the present, be freely received to a much larger extent, but not being replenished by fresh issues, being retired as rapidly as they came into the Government Treasuries and replaced by new token pieces, I have no doubt that in few years they would disappear from circulation, and that the change of standard and currency would thus be effected, without any sacrifice disproportionate to the benefit secured."

Sir William Mansfield, the Commander-in-Chief of the Bombay Army, has recorded a remarkable Minute, in which the subject is handled in a masterly manner. It concludes with the following recommendations —

"I would propose, therefore, that the legal tender of gold should be enacted on the basis of equivalents submitted by Act XVII of 1835

"That the gold legal tender should not, for the present, be in substitution of the silver tender, but in aid of it

"That in accordance with the above, sovereigns should be allowed to run, and to be legal tender at their relative value, including seignorage charge on the basis of the equivalent established by the Act XVII of 1835, viz , at Rs 10-4-0 That the issue of notes should take place in exchange for gold and silver bullion alike, without any administrative distinction between the two metals

"That the Mints in India should be directed to coin gold in the coins described in Act XVII of 1835 in large *quantities*, and to invite the public to offer it for the purpose."

The nature of the late crisis.

The most striking feature of this movement is its universality There are differences of opinion as to the mode in which the object is to be attained, but all agree *that there ought to be a gold currency* The proximate cause of this unanimity is the painful impression of the crisis through which we have just passed and the desire to avert its recurrence The first thing to be considered, therefore, is the nature of that crisis, and how far the means of prevention or mitigation are in our power

The state of things at Calcutta, Madras, and Bombay, between November 1863 and March 1864 has been compared with that which prevailed in London in 1847 and 1857, but it had little in common with it. In India there had been no drain of specie owing to an unfavorable state of the foreign exchanges neither had there been extensive over trading There had been much *bold* trading in cotton and piece goods, but the market had been continually rising and large fortunes had been made. There had also been much active enterprise in Joint Stock Companies for the cultivation of tea and for other industrial undertakings, but the public confidence in their profitable character remained unshaken Individual shareholders might find it difficult to pay up their calls but this was the consequence, not the cause of the convulsion

The root of this great evil lay much deeper From time immemorial Europe had been unable to provide merchandize which India was willing to accept in return for the valuable products she had to offer, and the balance had to be paid in the precious metals This was arrested for a time by the large supplies of cotton cloth sent to India after the opening of the trade in 1814; but the normal state of things soon returned and since 1847-48, the importation of specie has been continually increasing

The development given to the export trade of India by the Russian War in 1854, and by the American War which began in 1861 greatly augmented the balance which had to be paid in specie It was not merely that vast additional quantities of fibres, oil seeds, and cotton, had to be paid for The increased demand upon the resources of India could not be met at former prices. A large porportion of the cultivated area of India was diverted from raising food to raising exportable produce A large proportion of the labor of India was diverted from the

immediate work of production to the construction of railroads, and roads to convey this exportable produce to the coast. In consequence of this, the price of labor and of every article of domestic and foreign consumption went up together. Cotton, which was the subject of keenest competition, rose in the rural districts to three or four times its former price The result will be seen in the remarkable Return of imports and exports of merchandize and specie in the Appendix

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The nature of the crisis in the three great Indian ports in 1863-64 will now be better understood It was not in its origin or true nature, a *monetary* crisis If the trade between Europe and India had been conducted by an equal interchange of merchandize, it could not have happened. But, while the exports of merchandize in 1863-64 amounted to £67,459,795,* the imports were only £30,384,828, and the balance, amounting to the great sum of £37,074,967, had, for the most part, to be paid in specie. The exigency, therefore, arose from the peculiar conditions of the foreign trade of India The people of India were only beginning to appreciate the articles of comfort and luxury which England was able to supply, and they were totally unprepared to accept as equivalents the

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* The increase in the value of the merchandize exported from India in 1863 64 is accounted for to the extent of £16,680,368 by the increased value of the cotton exported The Return for the year 1863-64, appended to my Financial Statement, has now been completed as underneath The rest of the difference will, I think, prove to have been chiefly due to the general increase in the price of Indian produce caused by the conversion of land to cotton cultivation, and by the extensive system of works in progress, rather than to an increase in the quantity exported

Raw Cotton exported from Calcutta, Madras, and Bombay, in twelve months, from the beginning of May to the end of April, in 1862-63 *and* 1863 64

	1862 63		1863 64	
	Quantity	Value	Quantity	Value
	Cwt.	£	Cwt	£
Calcutta . ..	408,779	1,567,690	574,981	3,080,590
Madras ..	556,760	2,381,288	647,240	4,471,811
Bombay . .	3,257,485	14 834,565	3,616,782	27,911,590
Total .	4,223,024	18,783,543	4,839,003	35,463,911

manufactures she had to offer for the sudden increase of produce demanded from them The only article which was in universal demand among them was specie, and, as the chief employment of specie is in the manufacture of money, and gold had been excluded by the Regulations of the Government of India from this employment, silver had to bear the principal strain. In other words, it was emphatically a *mercantile* and not a monetary crisis, and silver and gold must be regarded in reference to it as ordinary articles of the import trade.

The money already circulating in the country was sufficient for carrying on its internal exchanges. Judging from the prevailing high prices, it may be questioned whether it was not more than enough The means of meeting the additional demand caused by the peculiar state of the foreign trade which has been described, were however, entirely deficient. There is nothing in India like the Bank of England, which keeps a reserve of cash for the whole country The produce exported to England is paid for by remittances from England, effected partly by bills upon the Indian treasuries purchased at home, partly by bills upon England or China sold in India, and partly by consignments of specie from Europe or Australia. Every year, at the commencement of the cold weather, a call is made for specie to be sent into the interior to pay for produce to be sent down to the ports, and during the interval money is comparatively abundant

Towards the close of 1862 this annual craving for specie was greater than usual but in November 1863 a demand set in, which was unprecedented for intensity and duration Although the Banks of Bengal Madras, and Bombay were reinforced by large sums from the cash balances of which they had the use under their agreements with the Government their available funds were speedily exhausted Firms possessed of large resources, provided time was allowed to realise them must have declared themselves insolvent if they had been pressed to liquidate the claims upon them Fabulous rates were paid in the bazar for ready money Government Securities which had been at par, suddenly went down to 83 not because there was any want of confidence in the Government, but because everybody wanted to sell and nobody had money to buy With the relaxation of the pressure Government Paper returned nearly to par The only security which completely held its ground was the Government note currency It must be also recorded to the honor of these great mercantile communities European and Native *that* throughout this period of extreme pressure, when the fall of any one

house might have involved wide-spread ruin, the greatest mutual forbearance was exercised. This may have been in part owing to a just perception that the responsible persons in this country were acting on behalf of principals in England, and that every claim would be fully satisfied as soon as the requisite remittances could be made.

The position then is—

The late crisis was *not* caused by any deficiency of the circulating medium of India. If that medium had been much larger, for instance, if ten of the fifteen millions sterling of rupees deposited in the treasuries had been put into circulation, and the paper currency had been doubled, the crisis would still have taken place. The circulation was rather redundant than deficient according to the existing habits and wants of the people. This is proved—1st, by the abundance of money at all the principal marts on the coast and in the interior, during the intervals between the annual exceptional demand arising from the peculiar state of the trade with Europe, and 2nd, by the universal high prices The latter are a certain indication of a full state of the circulation, because, whatever may be the causes which create a tendency to a rise of price, they would be held in check if the circulating medium were deficient The average price of bar gold, at Calcutta, per tolah of 22 carats fine, was Rs 14-13-0 in 1853, and Rs 14-13-4 in 1854 It was Rs. 14-13-0 in 1862, and Rs 14-15-4 in 1863 At Bombay, the average price of gold bars (98 touch) was Rs 15-14-3 in 1858, and Rs. 16-0-5 in 1863 It would seem from this that there has been a slight fall in the value of silver, measured in gold, in India. But the true comparison is that of gold and silver, taken together, with all other articles, and judging by this test, it must be admitted that after making full allowance for other causes of the prevailing high prices, the precious metals are abundant and cheap in India.

The late crisis *was* caused by the unwillingness of the people of India to accept ordinary mercantile equivalents for the large additional value exported last year, and by the Regulations of the Government of India, which give an advantage to silver, as an article of merchandize, in comparison with gold. The necessity for this great importation of silver was quite irrespective of the deficiency or redundancy of the Indian currency. It was occasioned merely by the fact that silver was the only article which the people of India would take in any quantity in exchange for their produce. Vast supplies of silver had been poured into

India, under the operation of this exceptional and extrinsic cause But, even if these supplies had been yet more abundant, fresh importations must still have taken place because no other equivalent would be accepted for the Indian produce which the rest of the world desired to have.

The true remedy

If this is a true diagnosis of the malady, there can be no doubt about the remedy India, and through India, the countries trading with her, are suffering from the want of acceptable equivalents for the exportable produce which she furnishes in such richness and plenty The strain upon silver will be relieved by every addition that can be made to the other articles in demand in India Piece goods and yarn have become a great staple of the import trade. The increase in the importation of these has been arrested by the scarcity of cotton at Manchester and the rise in the price of food in India but, as these obstructions diminish, the trade is likely to be greatly developed The native hand loom system is collapsing in every part of India and, although English weaving and spinning establishments in India are, to a certain extent taking up the coarser qualities of the native article, which must always be made in this country, the balance in favor of Manchester is overwhelming Metal wares of English manufacture are getting possession of the market of India and, in the form of utensils for cooking, eating, and drinking, they are passing from luxuries into necessaries, as tea coffee, and tobacco have done in England Even Cheshire salt is supplied at prices which is obtaining for it a wide field of consumption in Northern India. But as the use of the precious metals in India is already great and is rapidly increasing and as India has no mines of her own, gold and silver must always be the great reserve of the import trade. To husband this reserve therefore and to make it answer the purpose of an article of import with as little disturbance as possible of the commercial and monetary economy of India or any other country, ought to be our chief object

Both the precious metals should be equally available as articles of import.

The first condition for the attainment of this end is, that both the precious metals should be equally available as articles of import

Before the discovery of the gold fields of California, the annual production of silver was larger than that of gold Since that the case has been reversed. The annual production of silver is now supposed to be about ten millions sterling and that of gold about twenty five millions or two and a half times as much.

England has a Southern as well as an Eastern Empire, and the great staple of that Southern Empire is gold Owing to the exclusion of gold from the Indian currency, the trade with Australia is chiefly carried on in this way —The gold of Australia is sent to England, where it is employed in buying silver, and the silver is sent to India burdened with the charges of the double voyage and with the additional interest accrued during the prolonged period occupied by it The cotton and other exports of India are charged with the extra expense arising from this circuitous mode of payment Even a worse result is, that the trade cannot be carried on in a regular manner The gold remains in the Bank of England until the Indian demand sets in, and then it is suddenly withdrawn to sweep the Continent of silver for transmission to India In order to protect themselves, the Banks of England and France raise their rates of discount, and, by their so doing, and by the violent oscillations in the foreign exchanges, every description of business is deranged.

If, by an alteration in the regulations of the Indian Mints, gold were placed on the same footing as silver, the course of trade would be as follows —The pastoral and mining population of Australia is supplied with clothes and other necessaries of civilised life from England The proceeds of this trade would be invested in Australian gold and copper, and these would be sent direct to India to pay for the cotton and other produce exported from India to England. The shipping would benefit as much as the mercantile interest We should hear less of vessels coming out to India in ballast for the sake of the homeward freight Some ships would make the triangular voyage, others would return to Australia with cargoes of sugar, rice, and other colonial produce A regulated process, the successive steps of which might be certainly calculated upon, would be substituted for the present fitful and desultory trade, and all parties concerned would profit by the change

Impending deficiency of the supply of silver

Hitherto the vacuum caused by the deficiency of imports has, for the most part, been filled with silver Although this has occasioned much loss and inconvenience to India and Europe, there is a worse evil behind The annual production of the silver mines is estimated at ten millions sterling In the last nine years the silver imported into India alone,

after deducting re-exports, has amounted to 89 033,792 * or within half a million of the entire estimated production of the whole world for the same period There were two great reserves of silver, the currencies of the United States and France. Both these reserves have been exhausted.† The circulation of the United States has been avowedly placed upon the basis of a gold standard with a subsidiary silver token currency In France, although the law remains unchanged, gold has been coined in vast quantities, and the only silver coins remaining in circulation are those which by wear and tear have become depreciated. The serious character of these facts will be apparent when it is remembered that the balance of trade in favor of India, and consequently her demand for silver, has been greatly increased by the revolution which has taken place in the cotton trade Nobody can say in what proportions the supply of Manchester with cotton will ultimately be divided among different parts of the world but it is certain that India will have a large share It must also be remembered that other countries, besides India stand in need of silver Independently of the use made of it for domestic and artistic purposes in almost every part of the world, that metal still forms the currency of the greater part of Europe. It is also the standard of value in China, and performs the same service of adjusting the balance of trade for that great country as it does for India. The information at command here regarding China is very imperfect but it is well known that, since the opening of the trade the exports of tea and silk have greatly increased without any corresponding demand having arisen for any article of foreign produce or manufacture that cotton has been added to the exports of China and that notwithstanding the help given by the opium trade between India and China in the adjustment of the exchanges, a large annual balance has to be paid in silver The population of China is twice that of India, and her vast productive powers are even less developed than those of India.

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* The figures, for the first eight years, are taken from the Parliamentary Return dated the 16th March 1861 of the "value of bullion, gold and silver imported into and exported from each Presidency of India in each year from 1800 to the latest date for which it can be given" and the figures of the last year are from the Returns in Appendix No. 2 page 202 obtained from the different Presidencies.

† European and American coin have been re-coined in the three Indian Mints during the last ten years, from 1853 to 1863, to the value of £[illegible] 172 030; besides an unknown amount of foreign silver coin which have been converted into bar silver previous to its being tendered to the Indian Mints.

Even if silver were forthcoming in sufficient quantity, it could not be coined fast enough Whatever may be the form in which silver reaches India, it must be converted into current rupees No description of credit based upon the existence of a certain amount of bullion or foreign coin suffices, because rupees are wanted to be sent into the interior to purchase produce Although the power of the Bombay Mint has been much increased, it is still unable to cope with the large amounts of silver poured in by each packet. In fact, no Indian Mint could coin silver as fast as it is wanted, i e, as fast as it arrives The quantity of bullion remaining uncoined in the three Indian Mints, during each month of 1862-63 and 1863-64, will be seen in the Appendix The average monthly amount remaining uncoined was £2,777,109, but this gives no idea of the real loss and inconvenience At the season when current coin is most wanted for making purchases in the interior, the arrear of uncoined bullion is greatest The average of the five months from December 1862 to April 1863 was £4,770,467, and even after the powers of the Bombay Mint, upon which the chief stress falls, had been greatly increased, the average arrear of the same months in 1863-64 was £3,035,092, notwithstanding that the Bombay Mint was worked by relays, day and night, without cessation, at serious risk to the machinery and great exhaustion of the persons employed. After all the pains and cost which had been bestowed upon providing these large sums and sending them to India, they were unavailable for use, because silver is so bulky compared with its value, as to be incapable of being converted into coin with sufficient speed to meet the wants of India Great exertions were made at the London Mint to meet the increased demand for coin consequent on the gold discoveries, but if the metal to be coined had been silver instead of gold, the Officers of the Mint would have been utterly unable to cope with the exigency

Impossibility of coining silver with sufficient speed

Appendix No 3, page 208

It is impossible to predicate the consequences of a real deficiency in the supply of silver for adjusting the balance of the Indian trade. So much is certain, that the commercial crisis through which we have just passed would be greatly aggravated. The facts to which I have adverted show that we are not dealing with a speculative or contingent danger. The usual annual demand for the means of paying for produce from the interior will recur next November, and if, as there is reason to expect, the value

Probable consequences of a deficiency of silver

of the produce will be increased,
will be diminished, owing to the exh
Europe, the disturbance of the econo
in 1864 65 will exceed that of 18
1863-64 surpassed that of 1862 63
impending, and, if there be a reme
delay

Gold should be restored to its place in the currency

I have already said that the mos
on the sa
of impor
restoring gold to its place in the curre

Although gold has been demon
it is held by the people of India in th
as it is by the people of every other
advantages may be summed up in the
small compass. This makes it portabl
facilitates its coinage and diminishes
interests are vitally concerned in the p
we must not measure this question
ment. In silver £100,000 weighs 1
In silver sums of money have to b
pieces in gold, by sovereigns or tw
to conceive the aggregate loss and
stances are applied to the greatly
of transactions compared with forme
remittances which the present state o
ment of India requires the addition
The most serious inconvenience of all
coinage does not allow of money bein
use Twenty sovereigns may be ta
Rupees would be an intolerable burd
the obstacles which this state of thi
a country like India, where it is par
intercourse between different classes
convenient medium of exchange is e

In the progress of improvemen
steps, from the rude instruments of e
use of silver and gold money and,

representative of gold India had arrived at the gold period. Without going back to the history of former times, gold Pagodas and Fanams formed the bulk of the circulation of the south of India within the memory of persons still living, and, in the north of India, although the gold mohur was overvalued with reference to silver, its superior convenience obtained for it a considerable circulation The trade of India with the countries beyond its North-Western frontier has always been carried on by means of gold coins of various kinds Much interesting information relating to this part of the subject will be found in Mr. McLeod's and Mr. Melvill's papers in the Appendix

Appendix No 1, page 189

The action of the Government upon this state of things was, first to exclude gold from the circulation, and then to introduce a paper currency based upon silver The result is that India has attained the last step *per saltum*, with the omission of the one which ought to have preceded it Retrogression has been followed by irregular advance

The paper currency has been attended with a fair measure of success The note circulation already amounts to upwards of six millions sterling, of which rather more than three millions has been invested in Government Securities The time was come for furnishing this great accommodation to the Europeans and to the Native mercantile classes in towns, and, as the body of the people become educated to the use of paper money, it will gradually answer the objects intended by it The currency circles have been extended to the rest of India, and a more popular character ought now to be given to the system by issuing five-rupee notes, as was originally intended

But the people of India have never acquiesced in the exclusion of gold from the currency, nor have they accepted paper as a substitute for it The plan of locking up reserves of the precious metals in strong rooms and representing them by convertible paper, belongs to an advanced stage of civilization The great majority of the people of India must have intrinsic value in their hands before they are convinced that payment has been made to them. This habit is founded upon the experience of ages Promises to pay are rendered of no effect by bad faith or revolution, bonds and notes are destroyed by damp or eaten by insects, but gold and silver survive every change and re-appear to be enjoyed in better times. As between gold and silver, the preference is decidedly in favor of gold, which, having large value in small bulk, offers most of the advantages of a paper currency together with the security derived

m intrinsic value Since the improvement of the circumstances of people arising from the great increase in the demand for their export e produce, there has been a corresponding increase on their part in the nand for gold. It will be seen from the Returns in the Appendix furnished from the three Indian Presidencies and British Burmah that after deducting exports, gold to the value of £24 949 582 has been imported into lia since the 1st May 1860 besides what was brought by land across the rth West frontier, and besides the large aggregate amount chiefly in oreigns brought back by the laborers who annually take service in Coffee Plantations in Ceylon, and by the emigrants returned from Mauritius and that the importations have been according to a tinually ascending scale. In 1860 61 the value of the gold introduced India by sea was £4,242 441 in 1861-62 it was £5,200 432 in 62-63 £6,878,130 and in 1863 64, £8,819,765 * The explanation this is that the people invest their new wealth in what they like best some favored cotton districts, gold bangles have become almost as mon as silver bangles were before Although gold is not available as gal tender in payment of debts and taxes in the British dominions ndia, the people in some parts of India have endeavoured to remedy defects of the present inconvenient silver currency by circulating d bars authenticated by the stamp of Bombay Banks. This rude at npt to organize an ingot currency in the face of every discouragement ves the determination of the people to have gold, and shows that the vernment would be cordially seconded by them in any attempt to in luce a gold currency on a sound footing They would then have at they most desire,—absolute intrinsic value in a condensed form henticated by the impress of the State, and receivable by law in pay nt of every obligation.

ppendix No. 2, page 202

A still more striking instance is that gold coin is in such request, that l gold mohurs nearly of standard value are habitually made by gers, chiefly to secure the premium at which they sell The details of four such cases will be found in the Appendix. One of these establishments, at Jugadree

Appendix No. 4, page 213.

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* The figures for the first three years have been taken from the Parliamentary Return for the last year from the Return in Appendix No. 2, page 202 It will be seen from the mentioned Return, that, while silver was re-exported in 1863-64, in the proportion of it 1 to 4 of the imports, gold was re-exported only in the proportion of about 1 to 23 re can be no doubt that gold has already released for circulation a large amount of ded silver

a flourishing mart in the Umballa Division, was on the scale of a Mint, and the gold mohurs manufactured there have an extensive circulation in the protected Seikh and Hill States and elsewhere.

Many other proofs might be adduced of the popularity of a gold coinage in India. The Native State of Jeypore has long enjoyed a reputation for the purity of its coins, and Jeypore gold mohurs, which were formerly seldom seen, have of late years obtained an extensive circulation. In the Punjab the use of gold as a medium of exchange has greatly increased of late years. In the Seikh time it was chiefly procured from Russia through Cabul, but, to use Mr. Melvill's words, "the facilities of communication with Calcutta and Bombay, which are freely supplied from Europe and Australia, have given the precedence to those markets in the supply of gold." Mr. McLeod reports that the sovereign is now the gold coin most familiar to the people of the Punjab, "being by far the most abundant and almost the only one now employed systematically for equalising the exchange." The prevailing opinion at the other extremity of the empire in British Burmah will be seen from the papers in the same number of the Appendix from two gentlemen of experience and ability who have been much engaged in mercantile pursuits.

Appendix No. 1, page 189.

But the most decisive example of all will be found in the Madras correspondence in the Appendix. Owing to the large number of sovereigns introduced into the districts of Tanjore, Tinnevelly, and Madura, partly received in payment for rice exported to Ceylon, and partly the earnings of laborers who had returned from Ceylon and the Mauritius, current silver money became so scarce in 1858, that it was difficult for the landowners to pay the revenue due by them. The Government of Madras, therefore, authorised the receipt of sovereigns at the Tanjore Treasury at 10 rupees each, and afterwards directed that they should be paid at the same rate to such persons as might be willing to receive them. Although this proceeding was overruled by the Government of India, it had gone far enough to prove that a gold currency, based upon the sovereign at 10 rupees, would rapidly have taken the place of the silver currency, if the Supreme Government had not interfered to prevent it. The unissued coins were sent to Madras to the number of 10,370 sovereigns and 1,865 half-sovereigns, where they were sold at a profit of Rs. 2,168-12-7 compared with the rate at which they had been received, being an average

Appendix No. 5, page 218.

premium of three annas one pie on each sovereign The Australian sovereigns, although more valuable than the English to the extent of the silver alloy they contain, sold on an average three farthings each less.

The determination of the people of India to have gold, justifies Lord Liverpool's opinion that "in very rich countries, where great and extensive commerce is carried on gold is the proper metal of which the principal measure of property and instrument of commerce should be made In such countries, gold will in practice, become the principal measure of property and the instrument of commerce with the general consent of the people not only without the support of law, but in spite of almost any law that may be enacted to the contrary for the principal purchases and exchanges cannot there be made in coins of a less valuable metal."

The plan of issuing notes in certain proportion against gold.

It remains to be considered how this great desideratum can best be attained

Act XIX of 1861 under the authority of which the Government paper currency was established, contains a provision that notes not exceeding one fourth of the total amount of issues represented by coin or bullion, may be issued in exchange for gold coin of full weight of the Government of India, or for foreign gold coin or gold bullion computed at rates to be fixed by the Governor General in Council, and not to be altered without six months' previous notice. Mr Cassels remarks that "this important amendment has for some inscrutable reason or by mere oversight, been allowed to remain ever since a dead letter, and the Governor of Bombay proposes that it should now be acted upon "The effect of this," Sir B Frere observes, "would be to substitute a considerable portion of gold for the silver which is now imported into India and in proportion to such substitution to relieve the inconvenience which is now felt by the absolute scarcity of silver in Europe It would also tend to expand the use of Government currency notes and to set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country, and which disappears from the circulation of our great commercial marts

This provision was borrowed from the parallel case of the Bank of England which was permitted by the Act of 1844 to issue notes in exchange for a certain proportion of silver

This was objected to by Mr Wilson and other high authorities who considered that the principle of convertibility on demand required that

the Bank of England should be allowed to hold in its coffers that metal only in which payment of its notes could be demanded, and that the permission to retain silver as a portion of the reserve introduced a mercantile element into the management of the Issue Department, and was inconsistent with the theory on which the Act was founded.

The object of holding silver in the Issue Department of the Bank of England was to facilitate the adjustment of the exchanges with France; but, after the change in the relative prices of gold and silver caused by the gold discoveries and the increased demand for silver for transmission to the east, the nearly balanced system of alternative standard in France oscillated in the direction of gold, and it became no longer advantageous for the Bank of England to hold silver in the Issue Department Since August 1853 that item has disappeared from its weekly account, and it only re-appeared for a few months at the end of November 1860, under an arrangement adopted for the convenience of the Bank of France

The corresponding provision permitting the Currency Department of the Government of India to receive a certain proportion of gold, has never been acted upon for the following reasons —

Because, as stated by Mr. Wilson, it is inconsistent with the principle of a Government paper currency. That paper is payable only in the current coin of the country; and its convertibility in times of political distrust or mercantile panic, might be seriously endangered, if any of the uninvested deposits were held in gold which could not be tendered in payment of the notes. The sale of gold for current silver coin would be a precarious resource, for times of panic are exactly the times when money is not to be had.

Besides furnishing a more convenient medium of exchange, a properly regulated paper currency releases, for productive purposes, a portion of the capital of the country which had been employed, without yielding interest, in providing a less perfect medium of exchange, and, with this object, such portion of the deposits as is not likely to be required to meet demands for coin, ought to be invested in Government Securities. The effect, therefore, of keeping any portion of the deposits in a form which is not available for the payment of the notes, is to interfere to the same extent with the beneficial operation of the

paper currency system The full amount required to maintain the convertibility of the notes has to be kept in current coin in addition to the uncurrent coin or bullion In other words, the latter is pure loss

There are other practical difficulties which I will describe in the words of Mr George Arbuthnot, of Her Majesty's Treasury, to whose mature experience and excellent judgment in this difficult class of subjects, I have often been deeply indebted "It would be easy to imagine cases in which the Government of India would be placed in great difficulty in attempting to manage on its own immediate responsibility and discretion the issue of notes in exchange for a limited amount of gold coin or bullion The advertisement of a price would be an invitation to parties to tender gold but individuals, not acting in concert, could not ascertain the quantity which it would be safe for them to remit When it arrived in India, the limit might have been reached to which the proportion of gold is restricted by the currency law and confusion, instead of facilities in the adjustment of exchanges, would be the result Again the sale of gold when its price might be higher than that at which it was received into the currency chest, could hardly be undertaken by Government with a view to profit. However skilfully such transactions might be conducted, it is hardly to be conceived that any Government official could so conduct them as to avoid the risk of censure by those whose interests might be affected by the disturbance of prices occasioned by the sales and the probability is that no official would have sufficient experience of business of this nature to enable him to manage it with safety"

And, after all this difficulty and hazard the end attained would not be "to substitute a considerable proportion of gold for the silver which is now imported into India nor to set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country," as supposed by the Governor of Bombay but to lock up a certain quantity of gold in an unproductive state, subject to the condition that an equal value in current silver coin must be kept in deposit to provide for the payment of the notes

Complication arising from the practice of issuing notes against silver bullion.

*This seems the proper place for calling attention to the extraordi*nary and dangerous complication which has arisen from the adoption into the Indian paper currency system of the mercantile principle of issuing notes in exchange for bullion as well as coin which was retained

in England by the Act of 1844. I am speaking now of silver bullion which by the 9th Section of the Act of the Government of India, No XIX of 1861, must be received in exchange for notes to any extent to which it may be offered, with a proviso that, in places where there is no Mint, it shall be optional to receive coin only, in exchange for notes. This option has been acted upon in the case of the currency circles recently established in the interior, by directing that notes shall be issued only in exchange for coin.

The Indian Mints have always been open for the receipt of silver bullion, and, while the amounts tendered for coinage were moderate, and the Mint certificates were payable at thirty, and afterwards at twenty days' sight, no inconvenience was felt

But in July 1861, the paper currency system was introduced, one of the conditions of which was that notes invested with the character of legal tender might be obtained at once in exchange for silver bullion.

This made it necessary that the Mint certificates also should be payable on demand; for, otherwise, the bullion would all have been sent to the Currency Department to be exchanged for notes, and the notes would have been immediately returned to be exchanged for coin. The result of this would have been, that the Currency Department would have become filled with bullion and emptied of coin, in other words, that Department would have had to suspend cash payments and declare itself insolvent

The obligation to pay the Mint certificates upon demand, involved the Government in a formidable responsibility. The entire financial machinery had to be strained to meet the vast amounts of bullion poured in to pay for the enormously increased exports For some months, while the usual receipts from opium were suspended and our reserve at Calcutta was locked up by the investments made by the Bank of Bengal on its own account, under its agreement with the Government, the anxiety was very great It will be seen from the Return in the Appendix that £6,310,550 was remitted in aid of the Bombay Treasury, between the 1st May 1862 and the 20th May 1864 Since the beginning of last April we have had to remit £1,220,000 to Bombay, besides £460,000 in coin obtained from the Currency Department in exchange for bullion

Appendix No 6, page 240.

In order to keep the Bombay Mint at work at the rate of £40 000 a day, it is necessary that there should be £640,000 of bullion in its several departments, and seventeen days intervene between the receipt of bullion and its issue as coin. If therefore, there was little or no bullion in the Mint, and a large amount was tendered for coinage, at least £600,000 would have to be paid before the Mint could deliver any new coin into the Treasury That this is not an improbable contingency is evident from the fact that, during the last three years, the silver bullion tendered monthly has ranged from £874 to £2,205,552, and that, in the same month in the three years the amounts have varied from £577,709 to £2,295 554, and from £874 to £437,481

Appendix No. 3 C, page 211

The same state of things prevails at Calcutta and Madras. "If the balance of bullion in the Mint," the Master of the Mint at Calcutta reports, "is reduced to a minimum as is now being done, it will be necessary in the case of any sudden influx of silver for the Treasury to be prepared to meet Mint certificates at the rate of four lakhs a day, for twenty days, *without counting on any remittances from* the Mint.'

All idea of husbanding the public balances for the public benefit must be cast aside, if they are to be answerable for any amounts of bullion which the new necessities of the Indian trade may bring to our shores So large and unexpected are the demands that, concurring, as they may do, with other exigencies, we may at any time be thrown by them into a state of temporary insolvency Merchants are entitled to have their bullion converted into coin at the earliest possible period, but they cannot expect advances to be made upon it out of the public purse

Although we have been forced, for a time to pay the Mint certificates on demand, owing to the complication already explained, connected with the paper currency, we have never conceded the principle which regulates every Mint in the world—that of being liable for the value of the bullion only after it has actually been made into coin We ought, therefore, to adopt the true basis of a paper currency by issuing notes only in exchange for coin and we shall then be able to return to the former practice of granting, as fast as the bullion can be assayed, Mint certificates payable after an interval fixed with reference to the average time occupied in coining

Returns will be found in the Appendix, showing—

Appendix No 3, page 208.

1st.—The total amount of silver bullion received at each of the three Indian Mints, in each month, from 1st May 1862 to the 30th April 1864

Appendix No 3, page 208.

2ndly.—The total amount coined in each month.

Appendix No 3, page 208

3rdly —The balance remaining uncoined at the end of each month.

Appendix No 3, page 212

4thly —The silver bullion tendered for coinage to the Bombay Mint in each month from the 1st May 1861 to the 30th April 1864, and,

Appendix No 6, page 240

5thly —The remittances made from the 1st May 1862 to the 30th April 1864 to reinforce the Government balance at Bombay to meet the Mint certificates and the Secretary of State's bills.

Past proceedings in reference to the gold coinage in India

Previously to the Act of the Government of India, No. XVII of 1835, by which an uniform coinage was established for the British dominions in India, the gold mohur of Bengal and the Star Pagoda and other gold coins of Madras and Bombay were a legal tender, being valued relatively to silver in the proportion of one to fifteen.

By the Act of 1835, and a contemporary Resolution of the Government of India, gold coins, representing, respectively, 5, 10, 15, and 30 rupees, were directed to be coined at the Indian Mints, and, although they were not to be a legal tender, they were to be received "and issued" at the public Treasuries at rates to be fixed, from time to time, by proclamation.

The rates were those denoted by the names of the coins; but it was afterwards perceived that the issue of these coins at a prescribed rate was inconsistent with the fact that they were not a legal tender, and a proclamation* of January 1841 authorized them to be freely received at

* "No gold coin will henceforward be a legal tender of payment in any of the territories of the East India Company, but the gold pieces to be hereafter coined will circulate at whatever rate of value relatively to the legal silver currency of the country they may bear to currency. The Governor General in Council will, from time to time, fix the rate by

the previous rate of fifteen to one, and 'to be disposed of as might be ordered by the Accountant General or the Accountant of the Presidency.'

In May 1844, in order to encourage the coining of gold, the reduction of the seignorage on gold bullion tendered for coinage from two to one per cent., which had previously taken place at Calcutta in November 1837, was extended to the Mints at Madras and Bombay, and it was declared that persons delivering in gold for coinage were entitled, as a matter of right, to have gold coins returned to them. The seignorage on silver coin remained as before at two per cent.

In January 1850 the Sub-Treasurer at Calcutta reported that the market price of the gold coin had gradually fallen to the price at which the Government received that coin from the public, and that there appeared to be a tendency to a further fall. This was the first notice of the effect upon the currency of India of the increased production of gold in California, but the Government did not at that time consider it necessary to direct any alteration in the terms on which gold coin was receivable into the public Treasuries. After this came the discovery of gold in New South Wales, and the Government of India was alarmed by rumours that arrangements were in progress for forming connexions with Australia for the purpose of bringing up gold, by a direct line of steam communication, to take advantage of the proclamation by which gold was receivable at the rate of fifteen to one compared with silver of equal weight and fineness.

In order to avoid the embarrassment of an excessive stock of coin which was not re-issuable and could not be disposed of except at a loss, notice was given, on the 22nd of December 1852, that gold coin would no longer be received in public Treasuries.

We ought now to retrace our steps.

The course which ought now to [be] adopted is to retrace our steps and to declare gold to be a legal tender in addition to silver at a rate carefully calculated with reference to the relative value of the two metals.

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proclamation in the *Calcutta Gazette* at which they shall be received and issued at the public Treasuries in lieu of the legal silver currency of British India. Until further orders the rate will be [illegible] the name of the [illegible] the gold mohur for 15 rupees; the [illegible] rupee piece for [illegible] rupees; the 10-rupee piece for 10 rupees [illegible] 30 rupees."—*Letter from the Government of India* [illegible] *Directors* [illegible] 1835.

To the adoption of this course, Mr. Wilson objected that "a contract to pay a given sum of money is nothing more nor less than a contract to deliver a given weight of that metal which is the standard at the time the contract is made, and that to alter or vary the standard, and to adopt another metal because it is cheaper, is simply to enable the debtor to break faith with the creditor."

Mr. Wilson's objection

This argument has been ably and successfully answered by Sir W Mansfield, in the 3rd and 4th Chapters of his Minute He shows that money is the measure and representative of *value;* and that, whatever may be the current coin in which contracts are expressed, the intention is, that the creditor should receive *value,* without depreciation, in any form which may be most convenient to the community to which he belongs, otherwise, the State would not be able to change its legal tender or expression of value, the effect of which would be, under different circumstances, to do real injustice to debtors or creditors. If a change of value is taking place by which an ounce of silver will, at some future time, be worth more than an ounce of silver now is, we ought not to increase the value of debts by declaring that, for all time to come, they shall be paid in coins constantly gaining a higher value than was originally attributed to them, and the reverse of this would be the case if silver was in a course of depreciation Including the local revenue, the Government of India is annually a creditor to the extent of nearly fifty millions sterling, more than two-fifths of which depend upon permanent obligations expressed in the legal silver money of the time, or upon obligations similarly expressed for long terms of years. The same Government is also a debtor to the extent of rather more than twice its annual revenue. According to this view, the State is chiefly interested in maintaining the rights of creditors But according to the broad and just view, the real concern of the State is to maintain the integrity of all contracts, public and private, and to promote general confidence and good faith, by so regulating the circulating medium, that, as far as possible, no enhancement or depreciation of value shall take place to the advantage of debtor or creditor

The question of the double standard

Closely connected with this, is the question of the double standard of value

The popular sentiment coincides with the opinion of Mr Locke, Mr. Harris, and Lord Liverpool, that the principal measure of property should be made of one metal only

And, in fact, although it may be necessary for a time that two metals should be legal tender, only one metal can practically be the standard of value

However accurately the value of two metals may be adjusted to each other, the vicissitudes of production, the necessities of commerce, and the convenience of daily life, ever cause slight variations between the market value of the two and the cheaper metal becomes the principal medium of exchange and the standard of value.

It would seem to be a result of general experience, that nations must pass through this stage before they arrive at a satisfactory state of their currency

British currency went through a series of alterations between gold and silver until a gold standard with a subsidiary silver token coinage, was finally established in 1816 by the 56, George III, C 68

The experience thus acquired was employed in 1838 and the following years in reforming the metallic money of the British Colonies, which had fallen into a confused and unsatisfactory state, and peremptorily required the interference of the Government. This was done by rating the foreign gold and silver coins current in the different Colonies at their proper relative value to sterling money and making them legal tender in common with sterling money The discoveries of gold in California followed after an interval of some years and silver then ceased to circulate, except as tokens for the fractional parts of the pound sterling, and the British sovereign was established as the sole standard. The first of these changes was an administrative operation. The second was a natural result They were both eminently advantageous.

The whole process is described in the extract in the Appendix from a Memorandum by Mr George Arbuthnot, dated in August 1858 It will be seen that he speaks of the proceedings for the 'concurrent use of the British with the foreign coins at the rates assigned to them,' as having been "attended with perfect success' and says that the subsequent transition from a silver to a gold standard 'was effected without disturbing contracts, and without detriment, therefore, to the community at large.'

Appendix No. 7 page 219

Our example was followed by the United States. By the law of 1849 golden dollars of a certain weight and fineness were legally

declared to be equal to the silver dollar. In 1853, the old full weight silver coin having been in great part absorbed as a commodity of trade, and the national reserves now consisting almost entirely of gold, the intrinsic value of the silver coins was reduced (the dollar from 412½ grains to 384 grains,) so as to make them tokens, like the English silver coins, limiting their tender to five dollars, and thus adopting a single standard of gold.

A similar change has taken place in France. Since the decree of Napoleon in 1801, a double legal tender has prevailed From 1801 to 1850 gold had a tendency to rise, and it consequently disappeared from the ordinary circulation and commanded a premium, but the price having fallen somewhat below the fixed rates since the discoveries in California and Australia, the standard currency of the country and its reserves now consist of gold, and the silver coin, which has not been exported, in consequence of its having been reduced by wear below its full value, is fast passing into the state of a subsidiary token coinage.*

As in the British Colonies, so in the United States and France, the alternative legal tender caused no inconvenience in measuring values;

* Since this was written, I have seen from the Newspapers that the French Government has determined to reduce the half and quarter francs from 900 parts of pure silver and 100 alloy, to 835 pure and 165 alloy, in other words, to make them avowedly tokens, which they had really already become by wear The five franc pieces of the coinage of the years till 1830 were always better than standard, but from 1844 to the present time they have been below their standard, and the coins of the present day are worse than any The following is an abstract Statement of five franc pieces received into the Calcutta Mint during 1863-64 —

Weight in Tolahs	Assay	Nett value in Rupees Issued in Mint Certificate	Nett value at French standard 900 Touch, or 4 dwts. in the Pound Troy, worse than Indian standard	Loss to importers from difference between actual assays and French standard.
Rs. A P		Rs. A. P	Rs A P	Rs. A P
57,98,291 9 0	4 dwts. worse.	55,73,318 1 2	55,73,318 1 2	Nil.
40,40,187 14 0	4½ do	38,74,439 2 8	38,83,428 9 5	8,989 6 9
11,933 0 0	5 do	11,416 14 5	11,469 5 11	52 7 6
13,208 2 0	5½ do	12,607 7 9	12,695 10 5	88 2 8
98,63,620 9 0		94,71,781 10 0	94,80,911 10 11	9,130 0 11

and the accession of gold, as the sole standard of value did not affect, in any perceptible manner, prices, obligations, or interests of any kind whatever

It will be seen from the papers describing the currency of Ceylon, which form the last number of the Appendix, that Ceylon, which is an integral part of India, is considered to owe to its double standard its comparative immunity from the severe monetary crisis through which India has lately passed.

Appendix No. 10, page 267

I have no further argument to urge for the adoption of gold in British India as an auxiliary currency Monetary science is eminently experimental and if the point has not been established by the examples which have been adduced, no *à priori* reasoning would suffice.

Subsequent steps of the process.

If the expediency and safety of the first step has been proved, I do not care to follow the process through its subsequent stages. The change should, of course, take place with the utmost attention to the habits and feelings of the people, as recommended by the Chambers of Commerce What I propose is, not an immediate or entire substitution of gold for silver money, but the gradual addition of gold money to the existing silver money Both metals are held in esteem by the people on account of their intrinsic value and for a long time they would have a concurrent circulation The first effect of the admission of gold into the currency would be to raise the value of gold, because it would release an equivalent amount of silver In other words a tendency would be created to lower the value of silver, and so far, an advantage would be given to silver in maintaining its place in the circulation The ultimate effect would, probably be that partly from a slight additional fall in the price of gold in India arising from causes which will be hereafter more fully explained, and partly from the superior convenience of that metal in making the larger payments the currency and reserves of the country would become gradually filled with gold, and the time would then arrive for considering the propriety of converting the silver coinage into a subsidiary token coinage Perhaps as in France, the silver coinage not being renewed and becoming by wear less than its full nominal value, would of itself subside into a token coinage, and the people of India would be gradually educated to receive such a coinage as representing a value which it did not intrinsically possess.

Commerce would be greatly facilitated by the establishment of one uniform standard medium of exchange throughout the British Empire. This is an advantage of extensive empire, including dependencies in different parts of the world, which ought to be utilised for the public benefit. A similar advantage was formerly derived from the general currency which the Spanish dollar obtained. Owing to its superior convenience and other causes, the British sovereign would, if fair play were given to it, come into more extensive use than the Spanish dollar ever did.

Advantage of an uniform standard of exchange

One of the first results of the discovery of the Californian gold fields was, that the Mediterranean and Levant were swept of dollars for transmission to the east, and sovereigns were substituted for them. After the discovery of the Australian gold fields, a branch of the Royal Mint was established at Sydney for the coinage of gold in accordance with the standard of weight and fineness of the currency of the realm. The superscription, however, was different, and the coin was made a legal tender only in the Australian Colonies. Its currency has since been extended by Royal Proclamation to other possessions of the Crown, viz., Mauritius, Ceylon, and Hong-Kong.

Assimilation of the English and Australian sovereigns

In May 1862, a Select Committee of the House of Commons was appointed to consider and report on the expediency of legalising the circulation in the United Kingdom of the sovereigns coined at the branch of the Royal Mint at Sydney. The Committee reported that although the sovereigns coined at the Sydney Mint might "be considered perfect as regards fineness and weight," and were, in fact, more valuable than the Tower Hill sovereigns, because, whatever silver there was in the gold found in Australia, it remained in the coin as part of the alloy, the sovereign made at the Royal Mint had a preference over the Sydney sovereign wherever both were in circulation, that this was entirely due to the fact that the Sydney sovereign was current in Australia alone and in a few of Her Majesty's distant possessions, while the English sovereign had a circulation throughout the realm, and that "the inconvenience resulting from this limit on the circulation of the Australian sovereign is particularly experienced in the large trade carried on between Australia and our possessions of Ceylon and Mauritius, where this coin has been declared current by Royal Proclamation. In this commerce with our possessions, and also with India, Manilla, Java, and other

countries, into which Australian gold coin largely enters, there is no doubt but that the imperial sovereign is more highly valued than the sovereign issued at the Sydney Mint" The Committee, therefore, recommended—

"1st —That gold coin should be issued from the branch Mint at Sydney, having currency in all parts of the British dominions where gold coin minted in London is current

"2nd —That the coin struck at the Sydney Mint should have as nearly as possible, the same alloy, and the same quality of execution and durability as that struck at the Royal Mint in London

"3rd —That the coin should also have a Mint mark sufficient to indicate, at least to bankers and others, the Mint whence it issued.

"4th —That an adequate Mint charge or seignorage should continue to be levied, and that the Imperial Government should stipulate for its being kept at such an amount as to prevent any undue inducement to the importation into the United Kingdom of gold in coin rather than in bars

"5th —That arrangements should be made for withdrawing from circulation, as speedily as possible, the existing Sydney gold coinage.

"6th —That the charge for the branch Mint should be provided for by permanent appropriation by the Legislature of New South Wales, rather than by an annual vote"

These recommendations were accepted by Her Majesty's Government, and a Treasury Minute was recorded on the 22nd of June last, stating that 'My Lords are satisfied with the disposition shown by the Legislature of New South Wales to pass an Act for this purpose *the Bill introduced this year having been withdrawn only on account of* a technical objection not affecting the principle of the measure; and they are willing to submit a Bill to Parliament, as proposed by the Governor of New South Wales, conditionally, enabling Her Majesty to declare by proclamation, coins to be issued from the Branch Mints of New South Wales, corresponding in the essential particulars regarding the standard of value and denomination with those issued from the Royal

Mint of London, a legal tender of payment in the United Kingdom. The effect of such an enactment will be to enable Her Majesty to give currency to the Sydney gold coins in all parts of Her dominions in which gold coins issued from the Royal Mint in London are a legal tender."

The Minute then states that this measure must be guarded by the precautions recommended by the Committee, of which the imposition of an adequate Mint charge is the one of most immediate importance. This charge is proposed to be fixed at 3*d* an ounce of gold coin, which is the estimated cost of coinage on all gold returned in coin to the importer, and it is explained that this is to be over and above, 1st, the charge made at the Sydney Mint for prompt Returns, whether in coin or bar gold, analogous to the charge of 1½*d* allowed by law at the Bank of England for immediate Returns in exchange for bullion, 2nd, the charge, if any, which may be incurred for assay and refining; 3rd, the duty, if any, imposed, by Colonial Act, on gold imported into the Mint as the equivalent of an export Customs duty

The 2nd and 3rd recommendations, the Treasury Minute proceeds, will be the subject for future consideration when the necessary statutary powers shall have been obtained, but, although identity in quality of execution and durability between the coin struck at the Sydney Mint and that struck at the Royal Mint of London, may properly be kept in view as an object of ultimate attainment, it would not be expedient to lay down any positive regulation regarding the character of the alloy to be employed

It will thus be seen that the only external obstacle to the supply of India with the standard gold coin of the British Empire is about to be removed. Australia is the greatest existing source of supply of gold; and, both from proximity and from the course of trade, she ought to be bound up with India in a peculiar relation.* The perfected authenticated produce of the Australian gold fields ought to have the same

* There are political and moral, as well as economical relations involved in the connection between Australia and India which were alluded to by me in a letter published in the *Times* on this subject in February 1850 —"England has a southern as well as an eastern empire One empire is Christian, the other is Heathen One is young, self-governed, full of vitality, composed of men of our own nation and language the other is the oldest existing community in the world, abounding in latent resources, but helpless, dependent, and requiring the aid of a more energetic race to rise to a higher state of social and moral existence That these two empires should be closely connected with each other,

advantage as the Spanish dollars coined at the mine's mouth had in former days. But, instead of this, it must either be sent to England to be re-coined and forwarded to India charged with all the expenses of this circuitous route, or, if sent direct to India, it must be disposed of at a loss compared with the British sovereign For the future, there is to be only one sovereign, distinguished merely as to its place of manufacture by a Mint mark, which will require a magnifying glass to be detected

The Committee abstained from entering into the question "whether the Mint would have been better placed at Melbourne than at Sydney or if a Mint should not also be established at Melbourne," but in another part of their Report, they gave the following indication of what their decision would have been "the character of a coinage, whether produced at one or at many establishments, must depend on the honesty and integrity of those charged with its superintendence, and there is no reason to doubt that, with a well regulated establishment and proper control, Mints conducted for the advantage of the subject and not for the exclusive benefit of the Crown, may usefully be established wherever there exists an extended market for bullion" The Treasury Minute contains the following reference to this part of the subject — 'My Lords would have been ready to have entered into this question if required to do so, as preliminary to any measure for declaring sovereigns and other gold money coined in Australia, a legal tender of payment in the United Kingdom but, as it has not been raised by the Colonies immediately concerned, though ample time has been offered for its consideration since the publication of the Report, their Lordships feel themselves warranted in passing it by and applying themselves to the proposition now before them from the Colony of New South Wales.

India has no slight interest in this question. The precious metals are imported at a particular season of the year to meet the urgent necessities of trade They are wanted in the form of coin, to be sent at once into the interior, to pay for produce; and every day's delay is a loss to the holder and an injury to trade. But, as the precious metals are

as well as with the metropolitan country greatly concerns the interests of all. The tropical productions of India meet with a ready sale in Australia, but the great staple of Australia is excluded by Mint Regulations from India. Australian men would come in the wake of Australian gold, and another branch of the Anglo-Saxon family singularly adapted for the work by experience and genius, would co-operate with us in the organization of Indian industry"

received in vast quantities at a time, it is impossible that any Mint, however powerful, can convert them into coin as fast as they are required One of the advantages of adopting the sovereign as the standard gold coin of India, will be that, as it is the sole standard coin of the rest of the British Empire, it may be imported ready for use, but this advantage will be in a great degree lost if the principal Australian gold field is unprovided with a Mint.

Major Ward, the Master of the Sydney Mint, wrote to me in February last,—"Your acceptance of our coin, or, as it then will be, the imperial sovereign, as a legal tender in India, would increase our work, and we could produce for your circulation alone some £4,000,000 sterling per annum, and if a Mint be established at Melbourne, three times that quantity." This supposes that nearly the entire annual produce of the Australian gold fields would be coined and sent to India Such, I believe, would be the case, if a Mint were established at Melbourne, and if the legal restrictions existing in India and Australia were removed The proximity of Australia makes that country the natural source of supply for the east, as California and Russia are for the west

The produce of the Australian gold fields has of late years shown a decided tendency to fall off Universal experience proves that, owing to the nicely balanced state of the market for the precious metals, they are not a fit subject for an export or import duty. The steady diminution of the gold supplied from the Victorian fields will be seen from the following extract from the Report of the Registrar General of the Colony on the quantity of gold exported during the last twelve years :—

Year	Ounces.	Value. £
1851	145,147	580,587
1852	2,724,933	10,899,733
1853	3,150,021	12,600,083
1854	2,392,065	9,568,262
1855	2,793,065	11,172,261
1856	2,985,669	11,942,783
1857	2,761,528	11,046,113
1858	2,528,188	10,112,752
1859	2,280,676	9,122,702
1860	2,156,661	8,626,642
1861	1,967,420	7,869,758
1862	1,658,285	6,685,192

And it appears from another source that during the first half of 1863 gold was exported only to the value of £3,208,036, which shows a still decreasing rate

How the sovereign should be rated in reference to the rupee

Assuming the basis of the change to be that the sovereign and half sovereign are to be made legal tender in India, the only remaining question is how they are to be rated in reference to the rupee

Certain general principles may be confidently laid down

The first and most essential of these is, that the rate fixed should be rather below than above the present price of gold. The danger to be avoided is an undue interference with existing contracts If the rate were fixed too high, debts could be paid with a smaller value than that for which they had been contracted silver would be practically demonetised a large quantity of gold would be suddenly required to carry out the change and the result apprehended by the Calcutta Chamber of Commerce would be realised "of great derangement in the commerce and finance of India and probably also in the money markets of Europe." The rest would right itself in time but the fraud committed upon creditors would be irremediable, for, when contracts have once been interfered with by an alteration of the measure of value, there can for them be no return to the former standard On the other hand the worst that could happen from rating the sovereign too low, would be that the operation of the measure would be retarded but no other harm would be done, and the object might still be attained by a revised rating in which the sovereign would be placed somewhat higher

The sovereign must be rated not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is, from Australia.

It is very desirable that the rate should, if possible be so fixed as to avoid an inconvenient fraction. The countless repetition of the calculations involved in the existence of such a fraction would seriously detract from the advantages of the measure For a long time the exchange between India and England has been so near two shillings for the rupee, that this has been fixed from year to year for the adjustment of the accounts between Her Majesty's Indian and Home Governments The same rate has been adopted in the financial accounts, and

is extensively used in private transactions The public mind is therefore already accustomed to this rate of converting the rupee into sterling, and it is in itself the most convenient possible. It offers the following simple decimal proportion —

£1 00=£1, or one sovereign	.. ..	=	Rs. 10
50=10*s*, or half-sovereign	... ...	=	„ 5

The Madras Fanam, which, not long ago, was the favorite coin of the south of India, was worth Rs. 5-6-6 When Mulraj was besieged in Mooltan, being short of silver to pay his troops, but having forty *lakhs of rupees hoarded in the gold, he coined the whole of it into* pieces which passed for one Rupee. These have since been in great request.

Sir C. Wood attached so much importance to the possibility of adopting a convenient mode of converting the sovereign into rupees, that, in a Despatch dated the 2nd of May 1861, he stated the question of the introduction of a gold currency into India as depending upon it,—" I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India (as it is, I believe, in Ceylon), but at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign. If, by any change in the relative value of the two metals, a sovereign and 10 rupees were to become of equal intrinsic value, the sovereign might readily be introduced, and become the standard coin of India, but at present it can only be taken at its value as gold, and that value will vary from time to time, according to the demand at the moment for that metal"

The reform of the currency of the West India Colonies was much facilitated by what Mr Arbuthnot calls "a fortunate coincidence of principle and convenience," i e, the rating of the Spanish and Mexican dollar for circulation at 50*d* This valuation afforded a simple rule for the "conversion of the dollar into the denomination of British money, and it equally facilitated the conversion of British money into the decimal system of account founded on the dollar, as the half-penny represented the 100th part of that coin"

I am disposed to think that, although a sovereign and 10 rupees have not become of equal value, they have sufficiently approximated to *allow of an auxiliary gold currency being successfully introduced at that* relative valuation.

Rs. 9-15 to Rs [illegible] The Government currency notes would be payable either of 1863 Rs. 10-3 [illegible] reigns at the rate of 10 rupees. No bullion, either The latest information [illegible] for the reasons already explained, be received in a letter from the Hon'ble [illegible]

"The arrivals of gold in this [illegible] demand that 22 carat fine is not [illegible] "That under such an arrangement, Rs 14-7-6, a price which would [illegible] received into general circulation, out at the Mint at the required cost of [illegible] most essential condition is, that [illegible] difficulty is, that I do not

It will be seen from the interesting [illegible] that gold, in general, number of the Appendix, that the rates at which [illegible] vast quantities, in Upper India scarcely exceed those which prevail [illegible] tion are likely is explained by the fact that gold is so much cheaper [illegible] rupees. silver, that its relative value to silver is rather less at [illegible] upon at Calcutta * It will also be seen that every body is [illegible] been Lahore, and Umritsur, that the sovereign ought to be made a legal [illegible] this at 10 rupees

In Australia a duty of 1*s.* 6*d.* is payable at the Customs for every ounce of gold exported, for which a duty of 1*s* 3*d* for every ounce of standard fineness is substituted upon that portion of the gold which is brought to the Royal Mint at Sydney. This difference is intended to equalize the charge upon two descriptions of metal, the raw gold, as produced from the mines, being considered generally better than standard gold to the extent of 3*d* per ounce. Besides this, a charge is made at the Sydney Mint for melting, assaying, and coining, of one per cent, upon quantities below 1,000 oz, and of ¾ per cent upon larger quantities If it shall be determined to adopt an alternative legal tender of gold and silver in India, hanging on an uncertain balance, the expediency of maintaining these charges will probably be re-considered No revenue, which the Australian Colonies are likely to obtain from them, can be compared with the advantages they would derive from the unlimited demand for their great staple, which would be the consequence of its really becoming a component part of the currency of India The 1*s* 6*d*, or 1*s* 3*d* the

* This opens to view another important result of a gold currency Combined with railways and the paper currency, it will have a great effect in equalising the internal exchanges The substitution of gold and paper money for the cumbrous silver medium will also allow of the public expenditure being carried on with a smaller average balance, and a large amount of silver will be thereby set free

ounce, is an ordinary export duty upon gold, treated as an article of merchandize. The additional Mint charge of 1 per cent was described by Mr Miller, of the Bank of England, in his evidence before the Select Committee on the Sydney Branch Mint, as "very extravagant indeed"

The establishment of a regular trade, embracing England India, and Australia in a connected process, would also somewhat reduce the price of gold in India and would give increased steadiness to it. Up to the moment of its absorption into the currency every ounce of gold which reaches the shores of India is an article of merchandise, affected by all the conditions which influence commercial transactions and it is a well known rule that, while high profits are necessary for isolated, exceptional, one-sided operations a low average rate suffices for a settled trade, in which several profits and freights are obtained in a connected series

While Australian sovereigns can now be laid down at Calcutta at Rs. 10-2 9 each English sovereigns can only be delivered at Rs 10-4 10 This shows how completely this is an Indian and Australian question in its practical details Although England is deeply concerned, it is only through the interest she has in her commercial and other relations with India and Australia.

After making all these allowances, the sovereign at 10 rupees would probably still be undervalued as compared with silver but the use of gold as money is attended with so many advantages, that it would, notwithstanding be preferred in all but petty transactions. If I am right in this conclusion, the object we all have in view will be attained. When sovereigns are tendered at 10 rupees, creditors will get something more than they are entitled to and yet sufficient motives will not be wanting to maintain sovereigns in circulation.

My proposal, therefore is that sovereigns and half-sovereigns according to the British and Australian standard $\frac{11}{12}$ths fine and £3 17 10½ an ounce coined at any properly authorized Royal Mint in England Australia, or India, should be declared legal tender in India at the rate of one sovereign for 10 rupees and that the Indian Mints should be open to the receipt of gold bullion on the above-mentioned terms to be re-delivered in coin at a charge merely sufficient to cover the cost of manufacture which is much below the present charge of 1 per cent The Mint charge on silver should be maintained at the existing rate

of 2 per cent. The Government currency notes would be payable either in rupees, or in sovereigns at the rate of 10 rupees. No bullion, either gold or silver, should, for the reasons already explained, be received in exchange for notes.

Mr. Claud Brown remarks,—"That under such an arrangement, sovereigns would be readily and rapidly received into general circulation, I have little doubt, but the first and most essential condition is, that some one must provide the sovereigns, and my difficulty is, that I do not think it can be done at the price" My answer is, that gold, in general, and the sovereign, in particular, are already provided in vast quantities, and that the motives which have produced this great importation are likely to be increased by making the sovereign a legal tender at 10 rupees.

Concluding observations

The view I take has rendered it unnecessary for me to enter upon some considerations, which have usually been much dwelt upon in the discussion of this subject

I freely admit the hoarding propensities of the people of India, arising from habits induced by ages of misgovernment. The Government of India has been a still greater offender, owing to the enormous cash balances held by it, which, taken together with the numerous and large reserves kept by the Native States, probably amount to more than is hoarded by all the ryots and other private persons throughout the country Mysore, which is under our own management, had upwards of £1,000,000, until a portion of it was lately invested in Government Securities, the petty principality of Kirwee had a treasure amounting to more than £600,000, which was never heard of until it was captured by our troops, Saadat Ali's Lucknow treasure was about £8,000,000, and the third-rate State of Scinde had £470,000 These last have disappeared, but their recent existence is illustrative of the prevailing practice of Native States.

I also entirely agree with the position which has been so clearly established by Captain Lees in his valuable and interesting book on "The Drain of silver to the East, and the currency of India," that, partly owing to the change from a Native to an European form of Government, partly to the substitution of money for barter in remote districts, but chiefly to the general increase of prices and wages and the vastly augmented amount and number of transactions, the requirements of India

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ounce, is an ordinary export duty upon gold treated as an article of merchandize The additional Mint charge of 1 per cent was described by Mr Miller, of the Bank of England, in his evidence before the Select Committee on the Sydney Branch Mint, as "very extravagant indeed."

The establishment of a regular trade, embracing England India, and Australia in a connected process, would also somewhat reduce the price of gold in India and would give increased steadiness to it. Up to the moment of its absorption into the currency, every ounce of gold which reaches the shores of India is an article of merchandise, affected by all the conditions which influence commercial transactions, and it is a well known rule that, while high profits are necessary for isolated, exceptional, one-sided operations a low average rate suffices for a settled trade, in which several profits and freights are obtained in a connected series

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After making all these allowances, the sovereign at 10 rupees would probably still be undervalued as compared with silver but the use of gold as money is attended with so many advantages, that it would, notwithstanding, be preferred in all but petty transactions If I am right in this conclusion the object we all have in view will be attained. When sovereigns are tendered at 10 rupees creditors will get something more than they are entitled to and yet sufficient motives will not be wanting to maintain sovereigns in circulation.

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and the cart and its valuable load get to market. Now, the trade of India is in that condition, it requires the gold coinage to be hooked on to help the silver currency" No 1.

My homely illustration had much effect.

To sum up—the wealthy and intelligent Native bankers and merchants here are quite satisfied as to the goodness of the intentions of the Government in this matter; and although they may not see as clearly as we do the urgent necessity of the measure in question, and are by nature disposed to let well alone, they will most willingly and cheerfully see a gold currency supplementary to the present silver currency introduced, and, I may add, they are quite alive to its numberless minor conveniences and advantages. The coin they would prefer is the sovereign, it is to them an old acquaintance, hitherto consigned to the melting pot, but they quite understand the more dignified position it will take when made a legal tender for a given number of rupees. They do not seem to care about the half and quarter-sovereign, but I think these might at once be introduced with advantage Sovereigns are now selling here, scarce as money is, at Rs 10-3, to be made into ornaments after the extraction of the alloy, but as soon as they got into general and extensive use as a circulating medium, they would never, I think, be at a premium, except for exchange purposes.

From MR. L. C. PROBYN, *Deputy Auditor and Accountant General for the Punjab,—dated Lahore, 20th May* 1864.

When you spoke to me about making the English sovereign a legal tender in this country, and asked me to ascertain the probable effects of the measure in the Punjab, I was in hopes that I should have an opportunity of consulting some of the Umritsur bankers on the subject. I am sorry to say, however, I have been unable to go over to Umritsur, and my enquiries have therefore been confined to the bankers of Lahore.

Of course the market value of the sovereign up here fluctuates considerably So far as I have been able to ascertain, it sometimes, though very rarely, gets down to Rs 9-14, and sometimes, though very rarely, gets up as high as Rs 10-8, but its general price is Rs 10-4, 10-5, or 10-6 The present rate is Rs 10-4 The fact appears to me that though gold up here is in itself more valuable than gold in Calcutta,

well being, and advancement of the empire, that all contracts and engagements existing should be legalized in gold at the equivalent of Rs. 10 to each sovereign

It seems to me that holders of Government Paper and Securities of every kind will rather benefit by this arrangement, inasmuch as gold will be more valuable than silver, till an absorption of the latter takes place, and *then*, if silver should for the nonce rise in value, fresh importations will keep it at an average rate

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From MR NEALE PORTER, *Scinde, Punjab, and Delhi Bank Corporation, Limited, Umritsur, to* SIR C E. TREVELYAN,—*dated 20th May* 1864

At the request of Mr Macleod the Manager of this branch has lately been collecting information about the gold coinage known and in use here. All the particulars he has obtained will no doubt with much official information reach you through the Financial Commissioner I will merely state this much, viz., that two days ago I had at the Bank a great gathering of city notables, town councillors Honorary Magistrates &c. men all interested in trade and banking and on the same day an equally numerous attendance (of course by invitation) of Marwarries and bankers generally

I told them that, for the general convenience of trade and commerce, and for the good of the empire at large —for they must understand all creation did not consist of merchants and shroffs —the Government had determined to extend, by a system of circles the Government paper currency, and, in addition, to establish a gold coinage, which should be a legal tender, that this gold coinage was not to displace, but to assist, the silver coinage, and that it would be gradually issued that it was to be introduced because it was impossible the increased and increasing transactions connected with the enormous agricultural and commercial (internal and external) business of the country could continue to be carried on satisfactorily unless assistance was given to the one silver currency

'If' I remarked "a man has a cart heavily laden with grain and cotton, and his horse can no longer draw it, he hooks a donkey on to help,

From D. F. McLeod, Esq., C. B., *Finl. Commr. in the Punjab, to* Sir C. E. Trevelyan,—*dated Lahore, 24th May* 1864.

I have deferred replying to your letters until I could reply with No 1
some confidence in regard to the prospects of a gold currency if introduced here, and I now proceed to reply to your several queries, in the order in which you have asked them.

First.—Whether a gold currency, in addition to the existing silver one, would be acceptable? This is a question to which it is exceedingly difficult to elicit a satisfactory answer, as the ideas, even of the banking classes, are exceedingly hazy on the subject; and in so far as I can penetrate their thoughts, they cannot realize the effects likely to spring from gold being declared a legal tender, at a fixed value with reference to the rupee. Assuredly, however, they evince at present no dislike or apprehension when the suggestion is made to them, but, on the contrary, seem rather to like the idea of gold becoming abundant, from whatever cause. They seem incredulous as to the possibility of the relative value of the two metals being maintained at an absolutely uniform rate by the fiat of authority, instancing, as proof to the contrary, the fact that, although we issue copper at the rate of sixty-four copper pice for the rupee, their money-changers invariably realize batta, on giving change for a rupee, and the amount of this batta varies with the abundance, or otherwise, of copper current coin available in the market at the time. The same, they conceive, must take place, when change is given for a current gold coin, and they are probably not far wrong; but past experience does not lead them to anticipate that the fluctuations in relative values will ever be very great or permanent.

Secondly.—What form and value would be most suitable for the gold currency? They all unhesitatingly prefer the sovereign at 10 rupees, and half-sovereign at 5 rupees, both here and at Umritsur. The quarter-sovereign they do not seem to fancy much. Their reasons for the above preference are, that it is the coin now most familiar to them, being by far the most abundant and almost the only one now employed systematically for equalizing the exchange; and that, as their system of enumeration is by decimal progression like our own, (though the fractional portions of the coins, weights, and measures are not so graduated,) this value of coin will be more convenient than any other. It is also a handy and hardy description of coin, the merits of which, in this respect, they appreciate.

just in the same way as silver is its *relative* value to silver, which constitutes its *money* or *market* value, is a trifle less here than in Calcutta and Bombay The immense amount of gold which has lately been imported into the Punjab is not owing to gold being worth more money here than there, but to money itself being dearer, and to gold, which has moreover peculiar facilities for being converted into money, being so much easier of transport than silver To illustrate my meaning—the banker who last February got up 5,000 sovereigns from Bombay to Umritsur, did so, not because those sovereigns were worth more rupees in Umritsur than in Bombay, but because the rupees they were worth in Umritsur were of greater value to him than the same, or even a little larger, number of rupees in Bombay I mention this because I think you talked of the sovereign being dearer here than in Calcutta and Bombay On some occasions, indeed, the sovereign with all other gold coins, acquires quite a fictitious value I was told that when Lord Canning was up here gold coins were in so great demand for nuzzurs &c that the sovereign rose even beyond Rs 10-8, but of course this was purely temporary and immediately the durbars, &c., were over, the sovereign went down very low

It is difficult to say what the precise effect of the introduction of the sovereign as a legal tender, will be in the Punjab It is, however I think, certain that if the plan be successful in the Presidency cities of Calcutta and Bombay it cannot fail to succeed up here I mean that if you succeed in establishing a large gold currency in those cities, the drain of gold up to these parts will, in a very great measure supplant the drain of silver that has been taking place during the last few years (The Government alone has been importing into the Punjab more than 50 lakhs of rupees £500 000 worth of silver per annum and this in addition to immense importations by private parties.) Even now although there is no gold coin a legal tender the convenience of importing gold is so great, that large quantities are brought up —much more I suspect, than the actual requirements for ornaments, &c.,—or rather I should say, were brought up three or four months ago the demand for money up here has quite gone down as you can see by the result of our sales of supply bills on Calcutta. In fact, the people themselves are establishing a gold currency an inconvenient one, however because its value fluctuates. The facilities for keeping and for carrying about gold coins are very great, and they are therefore very popular with all classes

From D. F McLeod, Esq , c b , *Fınl Commr in the Punjab, to* Sir C E Trevelyan,—*dated Lahore, 24th May* 1864.

I have deferred replying to your letters until I could reply with some confidence in regard to the prospects of a gold currency if introduced here, and I now proceed to reply to your several queries, in the order in which you have asked them No 1

First —Whether a gold currency, in addition to the existing silver one, would be acceptable? This is a question to which it is exceedingly difficult to elicit a satisfactory answer, as the ideas, even of the banking classes, are exceedingly hazy on the subject, and in so far as I can penetrate their thoughts, they cannot realize the effects likely to spring from gold being declared a legal tender, at a fixed value with reference to the rupee. Assuredly, however, they evince at present no dislike or apprehension when the suggestion is made to them, but, on the contrary, seem rather to like the idea of gold becoming abundant, from whatever cause They seem incredulous as to the possibility of the relative value of the two metals being maintained at an absolutely uniform rate by the fiat of authority, instancing, as proof to the contrary, the fact that, although we issue copper at the rate of sixty-four copper pice for the rupee, their money-changers invariably realize batta, on giving change for a rupee, and the amount of this batta varies with the abundance, or otherwise, of copper current coin available in the market at the time The same, they conceive, must take place, when change is given for a current gold coin, and they are probably not far wrong, but past experience does not lead them to anticipate that the fluctuations in relative values will ever be very great or permanent.

Secondly —What form and value would be most suitable for the gold currency? They all unhesitatingly prefer the sovereign at 10 rupees, and half-sovereign at 5 rupees, both here and at Umritsur The quarter-sovereign they do not seem to fancy much Their reasons for the above preference are, that it is the coin now most familiar to them, being by far the most abundant and almost the only one now employed systematically for equalizing the exchange, and that, as their system of enumeration is by decimal progression like our own, (though the fractional portions of the coins, weights, and measures are not so graduated,) this value of coin will be more convenient than any other It is also a handy and hardy description of coin, the merits of which, in this respect, they appreciate.

I will now proceed to enumerate the several kinds of gold coin now circulating in the Punjab There are some varieties, of old coins chiefly, procurable to some extent, but so comparatively rare that they need not be taken into account —

Serial Number	Popular Name.	Weight in Tolas,* Mashas, and Ruttees.	Present Value.	Alloy in Ruttees (1-96) per Tola.	Remarks.
		T M R.	Rs. A P		
1	Bokhara Tila (old)	0 4 4	5 6 0	5 Ruttees	These coins are imported exclusively by Cabool merchants to an average extent of 10 to 20 000 pieces per annum, or upwards; the new description being now the most abundant. These coins used formerly to be largely melted down, but this is not now the case. Some are probably hoarded, but the greater number are said to be sent from hence towards Mooltan, whence it is believed that they largely find their way back to Cabool.
2	Bokhara Tila (new)	0 4 4½	6 7 0	4 Ruttees	
3	Rabookhani Tila ..	?	4 12 0	?	This coin is mentioned by Mr Melvill as a Persian coin, but was not mentioned by my informants. The entire yearly import appears not to exceed 1 or 2,000. There is also a Kokani Tila, equally rare.
4	Bâlkhi (old)	0 3 4	5 8 0 (if entire)	4 Ruttees	The import of these is now very inconsiderable What is imported comes chiefly from Calcutta or Bombay; some are said to come from Shikarpoor and some are brought into circulation from old hoards. They are chiefly valued for necklaces, and realize Rs. 19-4 per tola, being much above their intrinsic value, but are usually so much cut about, that they usually sell by weight, and not by the piece. Much of what reaches Lahore is said to go on to Jummoo, where the Maharajah is believed largely to hoard them.
	Bâlkhi (new) ...	0 3 4	5 2 0 (if entire)	6 Ruttees	

No 1.

					Mr Melvill speaks also of an Austrian Bûlkhi, but what this may be, I am not aware
	Russian Mohur?	0 6 4	8 1 0	9½ Ruttees	This, like the Tilas, is introduced exclusively by Cabool traders, to the extent of 5 to 10,000 per annum, though, of late, it has come in to a smaller extent than heretofore. The whole of what is brought is said to be melted down, as the large quantity of alloy in this and the other European coins depreciates it in general estimation in comparison with the rest and below its intrinsic value
					Some information in regard to the gold coins imported from Cabool and the countries beyond will be found in Appendix No. 1 to Mr Davies' Report on the trade with countries beyond our North-Western Frontier, where, it is said, that two lakhs of rupees' worth of Butkies, or Venetian Ducats, are exported yearly into Hindoostan, but I fancy the above coin and the Bokhara Tilas are really intended, and not the Bûlkhi, which, now, at all events, appears never to be imported from that quarter, unless what is said to come from Shikârpoor may be so considered.
7	Old Kuldar Mohur, or Ashurfee	1 0 3	20 1 0	Pure	This is exclusively used for necklaces, &c, and so much valued for this purpose, that it sells for Rs 2-12 above its intrinsic value Being no longer coined, it is more than ever appreciated, and it is said that 2 or 3,000 are bought and sold annually in Lahore and Umritsur
					Besides the foregoing old gold mohur, Mr Melvill enumerates in his list 9, the Mahomed Shâhi, or Delhi Mohur (No 9), the Nanak Shâhi, or Seikh Mohur (11), Lucknow Mohur (12), and Runjit Singh's Mohur (13), others might be named, but they are so comparatively unfrequent that they need not be specially noticed.

* 8 Ruttees = 1 Masha
12 Mashas = 1 Tola.

Serial Number	Popular Name.	Weight in Tolas, Mashas, and Ruttees.	Present Value.	Alloy in Ruttees (1-06) per Tola.	Remarks.
		T. M. R.	Rs. A. P.		
8	Jeypore Mohur	0 10 7	16 0 0	¼ Ruttee	In Runjit Singh's time large quantities of these were introduced; their great purity securing for them high estimation, and moneyed men used largely to send gold to Jeypore to be coined. It is now only brought in by travellers, or when the balance of trade with Jeypore is much against Lahore. Probably 2 or 3,000 pieces on an average may be bought and sold during the year
9	British Indian Mohur	0 11 5¼	15 3 0	9¼ Ruttees	This is largely melted down, so long as the price does not rise above Rs. 15 The amount imported depends mainly on the state of exchange but does not ordinarily exceed 2 or 3,000 per annum. It is imported chiefly from Cal cutta. The new and old issues are alike in value &c.
10	British Sovereign ...	0 8 0	10 3 0	9¼ Ruttees	These are now by far the most largely imported gold coins, and, like all the European varieties, the large quantity of alloy depreciates them in popular estimation, so that their market is less than their intrinsic value, and they are in consequence largely melted down for ornaments, &c. The quantity imported depends almost entirely on the state of exchange which reacts on its selling value When Government is selling its Bills at 1¼ or ° per cent. discount, sovereigns, specially those of Australia and half-sovereigns, are largely imported. Of late the exchange has been at par and their import has entirely ceased. It is now rising and as their selling price in Calcutta is said to be Rs. 10 1 0, while here it is Rs. 10-3-0, they will flow in rapidly In the cold weather their value falls to Rs. 10, and at times it rises to Rs. 10-4 At least ten lakhs of rupees' worth are said to be imported on an average during the year and they are pretty widely disseminated through the province.
	Australian Sovereign	0 8 0	10 3 0	9¼ Ruttees	

Besides gold coins, gold is imported in the several forms of gold dust, thin sheets, nuggets, and bars or bricks No 1.

Of the former, or gold dust, Mr. Davies (*vide supra*) says, that Rs 1,30,000 worth is imported annually from the mountainous parts of Tartary and the banks of the Oxus. A small quantity is produced in the Punjab, and large quantities are doubtless imported from Australia and other countries.

Of gold plates, those stamped No 100, contain 1-96 of alloy, those marked No 90, 1-24, and some 20 or 30,000 tolas weight per annum are said to have been imported of late years, though recently their import has fallen off

The quantity of gold in nuggets and bars annually imported I have not ascertained, but the import of all these is from Calcutta, and dependent on the state of exchange. While Mr Melvill's list of gold coins bought and sold during the year shows an aggregate value of Rs. 17,14,930, my informants at Lahore assure me that the yearly value of gold in all shapes, bought and sold at Lahore and Umritsur, amounts to two lakhs of tolas, or Rs 34,00,000 in value

The average selling price of gold seems to be from Rs 17-2 to 17-4 per tola, and in the long run it appears to have always kept pretty steadily at this, although it is always subject to periodical rise and fall, and to more considerable fluctuations when special disturbing causes occur.

In the cold weather, owing to large importations from Cabool and elsewhere, it always falls. Thus last year it fell as low as Rs. 16-12.

During Holkar's invasion in 1862 Sumbut, it is said that all his expenditure was carried on in gold, and it fell in consequence to Rs 14-6 per tola In Maharajah Shere Singh's time, the desire for hoarding raised its value to Rs 18-8 After annexation, when Government sold off the gold collected in the Durbar Toshakhanah, the value of gold fell to Rs. 16 In the great famine of 1840, its value is said to have risen to Rs 20 per tola, and to have been largely conveyed to Jummoo in exchange for grain.

During the Governor General's visit in 1860, when nuzzurs were in demand, the old Kaldar Asharfee is said to have sold for Rs. 24.

The conclusion which I draw from the foregoing is, that, with the exception of what is brought into the Punjab or Sindh from Cabool, which is brought by the Lohani and other merchants, as being the most portable article available, all the gold which finds its way into the province is brought to equalize the balance of exchange, being procured by bankers with the utmost facility and confidence by Dowk Banghy Parcels, showing how much more available our cash balances would be if a gold currency were introduced, and how greatly the general adoption of a paper currency would be facilitated

I gather, too, that in the long run the relative value of gold as compared with silver has continued surprisingly uniform—no sensible deterioration having resulted from the large importations now taking place from Australia. I have no doubt whatever that a much larger quantity of gold is used for making up jewels than formerly, but much less is hoarded

I have not sent you specimens of any of the foregoing coins, as I think it probable that most of them you will be quite indifferent about seeing If, however, you will mention which of them you would like to see, they shall be immediately sent.

In the mean time I send you one of Mûlrâj's gold rupees, which you particularly wished for It was some time before I succeeded in getting it, as they are now very rare He had in Mooltan some 40 lakhs of rupees hoarded in gold, and being short of cash wherewith to pay his troops, he is said to have coined the whole into these pieces, which passed for one rupee. On one side the legend is Sat Gûr Sahai, and on the other an emblem which I suppose is intended for a spear head, with the Sumbut year 1905 above it and a legend below, which reads like Sûndar Kâl.

On receiving your letter I wrote to Mr Melvill the Commissioner at Umritsur, which is our great commercial mart to make enquiries for me and report the result, while I made others independently here I annex in original the memorandum and list which he has sent me, which contain more details than I have given you afore

Memorandum on Gold Currency by P. S. MELVILL, ESQ., *Commr. at Umritsur,—dated 20th May* 1864.

I convened about a dozen of the best informed merchants and shroffs of Umritsur on the 19th instant, and made enquiries from them regarding the introduction of a gold currency in *addition* to the silver currency. No 1.

2. They were decidedly in favor of the measure, provided it was introduced generally. The bases of the measure must, I told them, be—

1*st*.—That Government would take payment in either coin at the option of the payer; the Government, when in the position of payer, exercising the like option.

2*nd*.—That gold would be a legal tender equally with silver at the option of the payer.

3. As to the form of the gold coinage, it was immediately decided that the sovereign was in every respect the most desirable, whether as regards its sterling value or as regards its exchange value. It was also thought without hesitation that the sovereign should be a legal tender for Rs. 10. Half and quarter-sovereigns were also thought necessary; but the quarter-sovereign was evidently named in an uncertain way, under the idea that if Government chose to coin it, they might as well have it.

4. A Statement of the gold coinage at present in the market is annexed. From this it appears that sovereigns to the value of a lakh of rupees are imported into Umritsur each month from Calcutta, and that the total value of the gold coins brought to the Umritsur market yearly is Rs 17,14,930. (See paper of calculations appended)

5. This value is about four times what it was in the Seikh time, and is to be attributed to the general increase of trade, the demand for gold having increased with the demand for commodities generally.

6. The tables, however, have been completely turned against Cabool, whence the mass of gold was procured in the Seikh times. The facilities of communication with Calcutta and Bombay, which are freely supplied from Europe and Australia, have given the precedence to those markets in the supply of gold.

No. 1 7 The general demand for gold which is now ascribed to the zemindars is a very satisfactory proof of the progress of the country in wealth

8 *No doubt that the greater freedom with which jewels and pros*perity are now openly displayed has a good deal to do with the augmented desire for gold, apart from the advance of the people in material wealth

9 It would appear that, in the event of a double currency being established, a large quantity of silver will be brought to the surface in lieu of the gold that will be hoarded. Facilities will also be offered to trade, which at present, so far as I can learn, derives no assistance whatever from the presence of gold In other words, gold is nowhere used in the Punjab as a medium of exchange.

10 The evils of a double currency being a single standard value are not likely to be seriously felt in this country so long as the universal love of hoarding and ornaments continues provided only that the sovereign be declared a legal tender for Rs. 10 Exchange operations would of course be carried on as at present, subject to the fluctuations of the market, the holder of silver desirous to change it for gold being obliged to meet the requirements of the holder of gold and *vice versâ* The demand for the precious metals is likely to continue for some time to meet the balance of trade in favor of India. The most acceptable form is that of money and it would appear that the sovereign will be taken as readily as the rupee, provided it has a fixed value assigned to it as a legal tender

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Statement of Gold Coins in the Umritsur Market,—dated the 20th May 1864

1 *Sovereign* —Sterling value, Rs 10 average selling price Rs. 10, monthly import from Calcutta direct, 10,000 sovereigns received by mail cart by daily packages. The sovereigns have been imported at this rate for the last four or five years merchants import them and sell them to shroffs, who pay for them after eleven days from time of purchase. The *merchants* pay for them by Government Bills or Hoondees on Calcutta The shroffs distribute the largest proportion to different towns, as Lahore Wuzeerabad Sealkote and the like, and a large

quantity is taken to Jummoo The chief use made of the sovereign No 1. is for conversion into bullion, for ornaments, and wire for working. The zemindars in villages are large purchasers for the former object. The sovereign is also used extensively for hoarding; silver coin being exhumed in favor of the more easily-kept gold coin. The Jummoo and Cashmere purchasers require it for wire-drawing principally. The Australian sovereign is imported as well as the English sovereign. No discrimination is exercised between them. Occasionally sovereigns are sent to Peshawur from Umritsur, but this only occurs when there is a lull in the flow of gold coins from Cabool.

2. *Bokhara Tilla.*—Sterling and selling value, Rs. 6-8 · monthly importation into Umritsur, 2,000 coins from Peshawur. This and the Russian piece, (No 3,) and the Babookhanee mohur, are brought to the Peshawur market by the Cabool merchants, who have received them in payment for merchandize sold to the people of Bokhara and Persia At Peshawur they sell them and procure Hoondees on Bombay, Calcutta, and other places. Some merchants carry the gold coins about with them in India, selling them at various places, but this is the exception The Peshawur shroffs dispose of them partly by local sale for conversion into ornaments and for hoarding, and partly by transfer to Umritsur The gold of the Bokhara Tilla is very pure, being next to the Jeypore mohur in this respect, and superior to the sovereign.

3 *Russian Gold Coin.*—(Name unknown, called "Roossee" by the Natives) Sterling value Rs 8-6, present selling price Rs 8-6, monthly import into Umritsur, 1,000 coins from Peshawur, contains a great deal of alloy. These coins are disposed of all over the country, almost entirely for conversion into ornaments after being melted and after the removal of the alloy. (See preceding remarks.)

4. *Bootlee*—(Belgium coin). (A) Large.—Sterling value Rs. 5, selling price Rs 5-10, monthly import 1,000 coins. This coin is chiefly brought out from old hoards It was much approved in the Seikh time by chiefs for hoarding, and it is from their treasuries that they now find their way into the market They are not much melted, but are extensively used for ornaments, such as necklaces, &c, the design being much approved. The principal purchasers are zemindars.

(B.) Small.—Monthly import, 200, sterling value, Rs. 4-14; selling price, Rs 5, used as above, but not so much approved of.

1. 5 *Jeypore Mohur*—Sterling value Rs. 15 8 selling price Rs. 10, monthly import from Jeypore 500 coins. Is the purest coin of all, and varies but little in price at different places Is extensively used by travellers, particularly sepoys on their journeys, and is also much converted into ornaments, after melting by zemindars

6 *British Indian Mohur*—Sterling value Rs 15 average selling price Rs. 15 monthly import from Calcutta 200 coins. Is bought chiefly by zemindars, who get their money's worth in sterling gold, and is generally melted.

7 *Babookkanee Tilla*—Sterling value Rs. 4-12; selling price Rs. 4-12, monthly import from Peshawur 200 coins. Is a Persian coin (See remarks under No 2.)

8 *Austrian Bootkee*—(Name unknown) Sterling value Rs 5, and sells for the same monthly import 100 coins from Calcutta. Is suspended as an ornament and is not melted.

9 *Mohur Mahomed Shahee*—Sterling value Rs. 15-8 sells at Rs. 15 14 monthly import 50 coins, chiefly procured from old hoards, and is bought by travellers.

10 *Furruckabadee Mohur*—(A.) Old.—Sterling value Rs. 18, sells for Rs. 20 being much approved of for pendant ornaments. Monthly importations 50 coins.

(B.) New—Sterling value Rs. 18 sells at the same monthly import 10 or 20, used for ornaments.

11 *Nanukshahee Mohur*—Sterling and selling value Rs. 14 10 or 20 coins find their way into the market each month This is an "Ushrufee and as such is available for presents at marriages, and for payment of dowry Being cheap, it is sought after for this purpose. Is not melted for ornaments

12 *Lucknow Mohur*—Sterling and selling value Rs 16-8 10 or 20 are brought into the market each month. The gold is good, and it is converted into ornaments.

13 *Runjeet Singh's Mohur*—Sterling and selling value Rs 16 is very rare.

P S MELVILL

Memorandum of Calculations.

1	Sovereign ...	10,000 × 10	= 1,00,000	× 12 =	12,00,000 No 1
2	Bokhara Tilla ...	2,000 × 6-8	= 13,000	× 12 =	1,56,000
3.	Russian Gold Coin ...	1,000 × 8-6	= 8,375	× 12 =	1,00,500
4	A Bootkee, Belgium Coin...	1,000 × 5-10	= 5,625	× 12 =	67,000
	B Do, do do ...	200 × 5	= 1,000	× 12 =	12,000
5.	Jeypore Mohur ...	500 × 16	= 8,000	× 12 =	96,000
6	British Indian Mohur ..	200 × 15	= 3,000	× 12 =	36,000
7	Babookhanee Tilla ..	200 × 4-12	= 950	× 12 =	11,400
8	Austrian Bootkee ...	100 × 5	= 500	× 12 =	6,000
9	Mohur Mahomed Shahee ..	50 × 15-8	= 775	× 12 =	9,300
10.	(A.) Old Furruckabadee Mohur ...	50 × 20	= 1,000	× 12 =	12,000
	(B) New ditto ...	15 × 18	= 270	× 12 =	3,240
11	Nanukshahee Mohur ..	15 × 14	= 210	× 12 =	2,520
12	Lucknow Mohur ...	15 × 16-8	= 247-8	× 12 =	2,970
	Total ..	15,345	Total ...		17,14,930

20*th May* 1864. P. S. MELVILL

Extract from a letter from the Kurrachee Manager of the Scinde, Punjab, and Delhi Bank Corporation, Limited, to the Managing Director in India,—dated 2nd June 1864.

"GOLD CURRENCY" has existed in Cutch for the last seven years. The coin is called "Koree," and is of the value of Rs. 6-12 to Rs 7. Cotton farmers take back the proceeds of their cotton from the ports of shipment in this currency, and it is sold by them to dealers in gold. Much of the gold coin has disappeared, some is supposed to have been melted, but the bulk to be buried and hoarded.

MEMORANDUM.

My opinion is, that the introduction of a gold coinage, *confined to the English London Mint sovereigns and half-sovereigns,* would be a highly beneficial and economical measure for British Burmah When an Act of Parliament shall have been obtained, making the Australian sovereign, struck at the Sydney Mint, and which is of precisely the same assay as the London sovereign, a legal tender, then the Australian coin can be received into British Burmah at the same value as the other, but

1 not otherwise, for at present the Australian sovereigns seldom sell for more than two annas each premium, while London sovereigns have gone up occasionally as high as eleven Rupees each, and usually hold a premium in this market of eight annas each, except when a large number is thrown suddenly on the market, as is sometimes the case during the height of the rice export season, when many ships from Europe are here together even then, they seldom or never fall below a premium of four annas per sovereign. Such I know to have been the state of things from 1857 until now

I would on no account introduce any other gold coins than the sovereign; others are unknown to the Shans and Burmese, who buy our manufactured goods, and I think it would in every way be preferable to introduce the English (and at the proper time the Australian) sovereigns only, rather than gold mohurs or any other gold coins that might be struck at the Calcutta Mint

There can be little doubt, I think, that the effect of introducing a gold currency, limited as I have before said, would be to release much if not all, of the hoarded and buried silver throughout British Burmah by sovereigns being made a legal tender for all sums in excess of ten rupees, those who bring down large quantities of rice would be enabled, in a small compass and about their persons, to take back the realizations of their sales more easily than in rupees.

The effect upon trade generally I conceive, would be decidedly beneficial in every way, I think it would partially check the improvidence of the Burman who thinks little of ten or twelve rupees for many purposes but who would reflect somewhat before he changed or parted with his golden coins

I think, moreover, it would be a measure favorable to the country so far as its exchange operations are concerned and by increasing the circulating medium, would ease mercantile operations generally at every busy and pressing season of the year

To Europeans there can be no question that it will be a benefit. They too, will reflect a little before parting with a sovereign or the half in gold, and as assuredly as the establishment of one or two Banks has done much for Rangoon so do I believe that all such imperceptible yet real pressures to economy as are to be found in the drawing of a cheque —inducing as I say economy,—will be beneficial to all classes of the

community. I submit my views with the utmost deference, as the subject is one on which I write rather as a practical man in the business of life than as a Political Economist, to which science I have given no sufficient study. No 1.

RANGOON,
20th June 1864. DONALD MACLEOD

MEMORANDUM

The question as to whether a gold currency is desirable for India generally, has been so fully discussed in the Presidency Towns, and the affirmative so well sustained, that it is not necessary to re-open that question here. Suffice it to say that British Burmah is no exception to India generally in this matter, and the introduction of a gold currency is highly desirable This being admitted, I have no hesitation in saying that I consider the English sovereign the most suitable coin that could be introduced. In the first place, its appearance and intrinsic value are already well known to the community, (who buy great numbers of them to convert into jewellery,) and has therefore great advantages, or, at all events, is free from the disadvantages which attend the introduction, in a country like this, of a new and unknown coin. In the second place, its intrinsic value is considered here as a trifle over *ten rupees*, and I have no doubt when made a legal tender for that amount, it would be readily accepted, not only for currency purposes, or for conversion as above mentioned, but its comparative smallness of bulk and extreme portability would render it more highly prized than silver coin for hoarding, or conveying from place to place In this way there can be no doubt it would set free much of the silver coin which has disappeared in past years, and which is doubtless stored away by the cultivators and others in the interior The boon to commerce would be very great, for not only would it increase the circulating medium, but as the trade of the country is carried on entirely now by means of hard rupees, and must, for many years yet to come, be carried on by means of the precious metals, to make the sovereign a legal tender would be to substitute a light and valuable medium in place of a ponderous and unwieldy one,—a change the full value of which can only be fully appreciated by those who come daily in contact with the trouble and inconvenience connected with a silver currency

RANGOON,
27th June 1864. J. C. TODD

APPENDIX No 2

Year	*Value of the Imports of Merchandize and Treasure into the several Presidencies of British India from the United Kingdom and other Countries in each year, from 1847-48 to 1863-64*			*Value of the Exports of Merchandize and Treasure from the several Presidencies of British India to the United Kingdom and other Countries in each year from 1847-48 to 1863-64*		
	Merchandize.	Treasure.	Grand Total.	Merchandize.	Treasure.	Grand Total
	Rs.	Rs.	Rs.	Rs.	Rs	Rs
1847-48	8,59 76 170	1 07 33 914	10 57,10 084	13,31,23,070	1 42,00 380	14 73,84,350
1848-49	8 84 48,042	4,20 45 033	12 54,93 075	10,08,85 018	2,53 97,125	18 02 82,443
1849-50	10 29 98 886	3,30 98 074	13,00,60 060	17 31 22,903	97 12 141	18,28 35 434
1850-51	11 55,87 888	3,81 18,088	15 37 05 076	18 10 41,400	54 12 801	18 70,54,387
1851 52	12,24 04 902	5 05 20 500	17 29 25,402	19 87 92 537	01 90 880	20,70,83 420
1852-53	10 07 08 916	6 83 13 770	10 00 22 302	20 40,10 330	1 05 52,209	21,51,98,020
1853-54	11,12 26,589	4,87 10 560	15 90 46 140	19,20,51 400	1 48 32,962	20 77,81,368
1854-55	12 74 26 704	2,02 82,582	14 77 09 280	18,02,72,234	1,20 70 346	20 10 42 580
1855-56	13 94 76 570	11,30 12,883	25,24,89 453	23 03,02,682	00 11,769	23,61 01,451
1856 57	14,19 45 807	14 41,30,988	28 60 82,855	25,33,84 531	1,25 34,280	29,50 18,811
1857-58	15 27 75,062	15,81,43 590	31 09,18,652	27,45,30,923	82 24 374	28,27,01,207
1858-59	21,72,85 790	12 81 70 700	34,54,50 100	20,80 28,710	00 94,275	30,53,22,985
1859-60	24 26 51,400	19 35 69,635	40 63,21,035	27,00,02,030	02,00 068	28 88 02,080
1860-61	22,72 00 471	10,07 03 506	33 39 03 077	32,07,71,730	1,11 26 857	34,08,98,500
1861-62	22 15,88,981	14,80 03 506	36,06,82 487	35,58,51,285	68 13 862	30,26,05,147
1862-63	22,58 64 557	20 52,34,598	43,10,90 155	47,00 80,591	1,10,10 040	48,70,00,991
1863-64	30,38,48,285	24,81,69,932	55,20,18,217	67,45 07,050	4,03,67,842	71,40,05,801

The details of the last year, 1863-64, are as follows —

	IMPORTS				EXPORTS.			
	Value of Merchandize	Treasure			Value of Merchandize.	Treasure		
		Gold	Silver	Total.		Gold	Silver	Total
	Rs	Rs	Rs	Rs	Rs	Rs.	Rs	Rs
Bengal ..	9,64,57,219	2,37,93,198	3,32,76,970	15,35,27,387	18,48,18,060	5,99,212	1,78,95,137	20,33,12,409
Burmah ...	1,73,79,199	4,89,518	99,78,655	2,78,47,372	2,64,65,966	9,312	39,12,589	3,03,87,867
Madras ..	2,14,45,800	1,08,23,900	83,95,300	4,06,65,000	7,21,43,100	52,000	8,93,500	7,30,88,600
Bombay	16,46,55,132	5,30,86,926	10,83,07,813	32,60,49,871	38,32,44,903	30,56,590	1,39,01,902	40,02,03,395
Scinde ..	39,10,935	4,115	13,537	39,28,587	79,25,930	.... .	47,600	79,73,530
Total ..	30,38,48,285	8,81,97,657	15,99,72,275	55,20,18,217	67,45,97,959	37,17,114	3,66,50,728	71,49,65,801

The preceding Returns relate only to the foreign trade of India Those which follow include, for the most part, also the interportal or coasting trade

No 2

A

APPENDIX No 2 A

Statement in Rupees of the Imports and Exports of Merchandize and Treasure of the Bengal Presidency, from 1860-61 to 1863-64

Year	IMPORTS				EXPORTS			
	Value of Merchandize	Treasure.			Value of Merchandize.	Treasure.		
		Gold.	Silver	Total.		Gold.	Silver	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1860-61	12,68 06,714	1,68,08,533	2,74 67,941	4 39,06,474	14 85,97 352	15 17 937	1,6[illegible],13,610	1,80,31,547
1861-62	11,98,80 064	1,79,06,828	3,83 10 352	5,63 07,180	15 40 08,533	13,48,827	89 13,009	1,02,61,836
1862-63	11 41 46 185	2 01 01 273	3,02,85,235	6,03 86 508	18,27 08,72[illegible]	15,61,082	1 18 01,459	1,33,63,441
1863-64	10 87 33 001	2 62,20,957	3 66,72 414	6 28 93 371	29,71,33,744	19,37,825	2,95,11,140	3,14 48,965

CALCUTTA CUSTOM HOUSE,
The 23rd May 1864

J A. CRAWFORD,
Collector of Customs

APPENDIX No 2 B.

Return of the Exports and Imports of Merchandize and Treasure of the Madras Presidency

	Imports			Exports		
	Merchandize (Value)	Treasure.		Merchandize (Value).	Treasure	
		Silver.	Gold.		Silver.	Gold.
	Rs.	Rs.	Rs.	Rs	Rs	Rs.
1860-61	3,16,55,812	1,33,02,362	74,23,525	4,45,98,338	59,43,935	19,435
1861-62 .. .	3,44,94,149	1,28,44,799	94,41,101	5,42,92,250	35,38,250	1,20,236
1862-63 . ..	3,03,30,148	* 1,83,53,243	1,20,33,647	6,35,58,990	† 55,08,415	1,42,136
1863-64 ..	A 4,02,65,192	B 2,26,20,699	1,31,62,752	C 8,77,77,118	D 2,17,01,186	3,42,098

* Private Treasure . .		1,32,50,410
Government Treasure . .		51,02,833
	Total	1,83,53,243
† Private Treasure . .		25,08,415
Government Treasure . .		30,00,000
	Total	55,08,415

A Includes Government Stores, &c ..		17 46,920
B Private Treasure .		1,86 20,699
Government Treasure ...		40,00,000
	Total	2,26,20,699
C Includes Government Stores, &c .		49,781
D Private Treasure .		59,98,186
Government Treasure		1,57,03,000
	Total	2,17,01,186

APPENDIX No 2C

Statement of Imports and Exports of Merchandise and Treasure of the Bombay Presidency, from 1860 61 *to* 1863 64

	Imports			Exports		
	Merchandize (value)	Treasure, i. e, Coin and Bullion.		Merchandize (Value)	Treasure i e, Coin and Bullion	
		Silver	Gold.		Silver	Gold
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs
1860-61	12,32 47,119	3 88 60,900	2 50,32,204	18 46,52 300	1,00,39,324	25,45,152
1861 62	12,40 13 327	6,64,76,313	2 85 10 425	10,83 24,526	1,32,51,528	37,18,424
1862-63	15,14,53 017	9 00 24 615	4 02 41,408	27,80,08,001	2 11,60,250	41,20,165
1863-64	19 47,62 501	11,78,23,302	5,31,16,720	30 54 71,058	1,04,78 460	40,43 083

P S —This includes the whole foreign trade of the Presidency, along with the trade between the latter and other Indian Presidencies excluding, however, the interportal trade of the Bombay Presidency and of the entire trade of Scinde

CAMP MATHERAN
OFFICE OF THE COMMR. OF CUSTOMS
The 12*th* *May* 1864.

G INVERARITY,
Commissioner of Customs

APPENDIX No. 2 D.

Abstract Return showing Value of Imports into and Exports from the under-mentioned Sea Ports of British Burmah for the four years ending 1863-64

Name of Custom House	Years	Imports: Merchandize Value	Imports: Treasure Gold value	Imports: Treasure Silver value	Exports: Merchandize Value	Exports: Treasure Gold value	Exports: Treasure Silver value	Remarks
		Rs	Rs	Rs	Rs	Rs	Rs	
Rangoon	1860-61	1,11,10,823	1,06,750	20 14,054	60,18,073	18,400	17,73,808	
	1861-62	1,06,81,375	2,35,568	31,09,814	86 48,219	6,900	37,32 534	
	1862-63	1,10,12,370	1,79,636	34,76,770	1,05,67,139	.	27,38,697	
	1863-64	1,09,28,308	3,23,340	50,49,387	1,46,75,070	3,200	26,65,167	
Bassein	1860-61	1,90,762	.	97,909	6,13,744	..	... ..	
	1861-62	2,08,884	.....	96,700	10,72,970	.	.	
	1862-63	1,64,800		3,44,000	11,39,528	..	. .	
	1863-64	1,33,276		1,56,487	12,11,880	.. ...		
Maulmain	1860-61	33,80,714	1,80,386	17,41,241	43,36,697	. .	1,27,019	
	1861-62	37,97,452	2,43,132	41,95,903	76,99,667	......	1,13 313	
	1862-63	34,23,279	2,26,784	18,86,177	60,64,901	.	76,319	
	1863-64	33,32,070	1,66,178	13,86,181	53,22,962	6,000	90,276	
Akyab	1860-61	9,86,754	29,515	19,00,400	47,98,275	.... .	2,02,893	The entries for the Port of Akyab have been made in the Office of the Commissioner of Arracan
	1861-62	30,82,290	12,900	25,32,305	41,05,919		4,95,612	R D ARDAGH, Offg Commr of Arracan
	1862-63	29,57,129	30,590	21,84,625	44,71,502	5,000	5,42,134	Akyab, The 2nd June 1864.
	1863-64	29,85,545	..	27,86,600	52,56,054	112	11,57,143	

Rangoon,
The 28th May 1864

H N DAVIES
Secy. to Chief Commr of British Burmah,
and Agent to the Govr Genl

No 2 D

APPENDIX No 3

No. 3 *Statement of the Silver Bullion received, coined, and remaining uncoined in the Calcutta, Madras, and Bombay Mints, from May* 1862 *to April* 1864

Months.	Silver Bullion received in each month.	Amount coined in each month	Total remaining uncoined.
1862	£	£	£
May	1,111,066	701 056	3,264 781
June	470,370	703,011	2 880 232
July	279 037	055 047	2 094,756
August	100 879	784,501	1 427 293
September	142 070	750 228	1 187,016
October	1 030,353	463,253	1 431,874
November	441 178	878 031	1 473 105
December	1,182,027	503,707	3,605,894
1863			
January	2 500,031	777 029	4,808 003
February	1,610 770	800,435	5 307 521
March	1 702 663	1 188 446	5 584,533
April	862 072	1,130 032	4,546,296
May	186 468	827,559	3,653 380
June	61 686	1,318 059	2,771 295
July	628 604	1 170 670	1 852 895
August	87 309	705,289	1,184,800
September	31 580	463 798	887 720
October	476 428	372 890	1,264,318
November	992 973	847 162	2 282 640
December	1,140,821	824 588	2,292,328
1864			
January	1 750 847	1 248 111	2 518,951
February	070 752	1 137 948	2 828,849
March	2 067 428	1,835 563	3,978 077
April	1,378,841	1,707,144	3,562,255
Total	21,157 072	20,731,157	66 650,519

APPENDIX No. 3 A.

Statement of Silver Bullion received, coined, and remaining uncoined in the Calcutta Mint, from May 1862 to April 1864.

		Silver Bullion received in each month, value Rupees	Amount coined in each month, value Rupees	The balance remaining uncoined at the end of each month divided into: Bullion belonging to Merchants, declared value Rupees	Bullion belonging to Government, value Rupees	Bullion belonging to the Currency Department, value Rupees	Total remaining uncoined Rupees
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
May	1862	32,51,212 7 1	[illegible] 10 0	[illegible] 0 0	[illegible] 9 9		[illegible] 0 0
June	,,	24,01,189 2 7	[illegible] 10 0	1,[illegible] 5 0	[illegible] 4 11		1,[illegible] 11 11
July	,,	25,11,0[illegible] 15 2	[illegible] 0 [illegible]	1,31[illegible] 0 0	[illegible] 0 3		71,7,273 7 9
August	,,	5,12,0[illegible] 8 1	[illegible] 12 0	[illegible] 18 0	[illegible]		[illegible] 4 10
September	,,	7,53,818 7 6	[illegible] 6 0	[illegible] 11 3	[illegible]		[illegible],312 7 7
October	,,	1,00,612 10 4	[illegible] 4 0	1,[illegible] 0 3	[illegible]		[illegible] 9 7
November	,,	2,35,501 3 5	[illegible] 0 0		[illegible] 9 4		[illegible] 9 3
December	,,	21,[illegible] 10 8	[illegible] 0 0	[illegible] 17 [illegible] 0	[illegible] 5 11		[illegible] 11 11
January	1863	92,91,743 12 0	[illegible] 0 0	[illegible] 12 0	[illegible] 1 1		1,74,[illegible] 13 10
February	,,	33,79,[illegible] 9 6	[illegible] 0 0	11,[illegible] 15 0	[illegible] 6 3		1,52,14,1[illegible] 7 3
March	,,	28,21,1[illegible] 7 2	21,[illegible] 5 0	2,[illegible] 15 0	[illegible] 9 5		1,1[illegible] 15 3
April	,,	9,54,710 0 5	16,[illegible] 0 0	1,1[illegible] 12 0	[illegible] 7 [illegible]		1,7[illegible] 3 6
May	,,	695 14 4	21,[illegible] 0 0		[illegible] 3 [illegible]		1,[illegible] 5 0
June	,,	81,7[illegible] 0 8	3,5[illegible] 0 0		[illegible] 15 11		2[illegible] 4 10
July	,,	4,01,519 7 5	24,01,[illegible] 8 0	2,3[illegible] 12 0	[illegible] 2 4		[illegible] 11 1
August	,,	41,012 2 7	712 8 0		[illegible] 13 1		2[illegible] 13 9
September	,,	1,997 6 1	[illegible] 0 0		[illegible] 10 [illegible]		[illegible],251 10 9
October	,,	1,231 1 5	[illegible] 0 0		[illegible] 6 12		[illegible],671 [illegible] 11
November	,,	13,1[illegible] 3 0	1,[illegible] 12 0	13,5[illegible] 0 0	[illegible] 1 7		[illegible],211 5 13 0
December	,,	10,50,117 12 11	1,[illegible] 5 0	4,[illegible] 6 0	[illegible] 1		[illegible] 9 1
January	1864	28,71,0[illegible] 12 11	[illegible] 0 0	3,[illegible] 0 0	[illegible] 0 1		11,2[illegible],171 0 1
February	,,	27,82,7[illegible] 12 9	1,[illegible] 0 0	6,[illegible] 11 0	[illegible] 1 6		3,10,[illegible] 12 9
March	,,	1,11,55,109 15 0	31,[illegible] 4 0	14,[illegible] 3 0	1,3[illegible] 11 3		1,1[illegible] 13 3
April	,,	42,47,0[illegible] 0 0	62,[illegible] 4 0	1,61,[illegible] 15 6	51,[illegible]	2[illegible] 0 0	1,13,1[illegible] 11 9
	Total	5,41,29,089 15 8	[illegible],10,91,673 12 0	73,[illegible] 0 0	10,42,13,912 10 1	[illegible] 0 0	17,4[illegible],42,626 10 7

CALCUTTA MINT,
The 17th May 1864.

J. BRIDGNELL,
Accountant

E. H. HYDE,
Mint Master

No. 3 A

APPENDIX No 3 B

1 B. *Statement of Silver Bullion received, coined, and remaining uncoined in the Madras Mint from May* 1862 *to April* 1864

	Amount of Merchants Bullion received.	Amount of Public or Govern ment Bullion received.	Total Receipts.	Total Coinage.	Balance at the close of each month, including Merchants' and Govt Bullion	
1862.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance 1st May	7,50 409					
31st May	2,50 103	2,011	2,61,330	1 72,184	8,43,738	The balance includes operative gain and loss in each month.
30th June ..	* 21,0 5	35 033	2,56,908	6,13 144	4,87,507	
31st July	2,81 601	226	2,81,830	3,82,900	3,86,212	* bullion has been received in the Currency Department.
31st August	3,38 450	..	3,38,430	4,83,000	2,41,727	
30th September	4,33,816	7,008	4 40,823	2,96,283	3,84 213	
31st October	6, 9 118	..	6 79 118	6,00,510	3 62,874	
30th November	6,60,814	.. ..	8,56,814	3,35 000	8,91 427	
31st December	7,95,869	714	7 96,583	8 19,000	8 69 016	
1863.						
31st January	12,22,370	1 43 717	13,66,087	6,89,000	15 45 923	
28th February	2,30,651	2,104	2,32,754	9,87 000	7 91 093	
31st March	3,67 93	50,04 497	53,75,290	8,08,000	53,58,984	
30th April	4,23,269	.....	4,23,269	6,44,367	52,42,383	
31st May	61,463	18,790	80,253	8,00 000	45 22,670	
30th June	2,45,589	1 028	2,46,617	11,50,352	36 18,914	
31st July	3,55,679	16,871	3,72,550	13,00,648	26,90,883	
31st August	2,19 605	25	2,19 610	12,50,586	16,59,841	
30th September	47 916	669	48,587	8,38 614	8,69,737	
31st October	2,73,147	1,060	2,74,207	68 402	10,82,926	
30th November	67 299		6 ,299	3,36,000	8 14 243	
31st December	77 470		77 470	7 02,652	1,88,942	
1864						
31st January	3,01 455	40,52,132	43,53,587	17 00,000	28 42,731	
29th February	20,663		26,663	19,76,000	8,93,311	
31st March ..	18 42,581		18,42,581	8,85 130	18,50,865	
30th April	4,86,312	1,514	4,87 826	17 68,518	5,70,276	

FORT ST GEORGE MINT, The 6th June 1863

J C CARPENDALE

Mint Master

APPENDIX No 3C.

Statement of the amount in Rupees of Silver Bullion received by and coined in the Bombay Mint, monthly, from the 1st May 1862 to the 30th April 1864, and of the balance uncoined at the close of each month. No 3C

Months	The total amount of Silver Bullion received in each month since the 1st of May 1862	The total amount coined in each month	Approximate amount of Bullion belonging to Merchants in course of receipt	Bullion belonging to Government	Bullion belonging to the Currency Department	Total remaining uncoined.
			I	II	III	
1862.						
May	75,96,959	46,98,000	21,27,446	39 65 583	1,63,87,542	2,24,80 571
June	21,70,299	42,98,000	941	40 11,159	1,42,14,265	1,82,20,365
July	702	52,14,930	3,72,320	20,11,759	1 10 00,000	1,33,84 079
August	7 57,306	43,00,877		64,758	93 52,367	94 17,125
September	2,42,833	40,00,000	34,65,666	60,847	40,59,612	82 25,125
October ..	85,14,800	37,25,002	5,28,211	2,48 658	93,00 000	1,00,76 869
November	33,16 165	33,26,791	3,01,330	10,38,032	79 00,000	98 39,368
December	89,01,182	27,00,000	1,45,04,827	78,30,214	79,00,000	3,03,34,041
1863						
January	1,43,52,478	51,00 030	90 50,673	1,49,91,661	1,09 00,000	3,40,42 334
February	1,09,85,217	53 00,000	68,58,473	1,70 76,878	1,30 00,000	3,70,35,351
March	88,32,887	79,98 658	45,21,041	1 86,06 017	1,30,00 000	3,61 27,148
April	72,21,154	92,00,004	25,02,536	1,10,24,428	1,30,00,000	2,71,26,964
Total Rs.	7,28 01,572	6,06,67,898	4,38,23,470	8,18,48,084	13,06,43,780	25,63,15,840
Monthly Average.	60,74,207	50,55,658	36,51,955	68,20,673	1,08,86,982	2,13,59,611
1863.						
May	17,03,736	53,01 571		80,88,174	1,30 00,000	2 10 88,174
June	2,88,511	67,01 875	37,57,985	16,82,236	1,30 00,000	1,84,40 221
July	54,19,846	70,01,895		1,02,082	1,30 00,000	1,31,02,082
August	1,09,433	58,01 793		2,11,515	72,00 000	74,11,515
September	2 65,278	39 11,500	15,51,964	66 218	37,00,000	53,18,182
October	44,88 846	36 00,647	42,81,243	4,48,343	42,00 000	89,29 586
November	85,46,244	30 01,273	76,57,064	3,32,087	1,02,00 000	1,81,89,151
December	1,02 80,593	74,02,440	45,25,492	13,75,180	1,17,00,000	1,76,00,072
1864						
January	1,02,80 881	75,02,300	62,20,426	41,53,185	77,00,000	1,80 73,611
February	68 98,123	78,09,092	1,09 30,786	32,44,715	77 00 000	2,18,75 501
March	78,76,593	90,02 596	1,34 49,027	21,21,308	77 00,000	2,32,70 335
April	90,52,965	90,02,943	1,38,63,078	21,74,273	77,00,000	2,37,38,251
Total Rs	6,52,71,049*	7,60,30,997	6,62,37,965	2,39 99,316	10 08 00 000	19 70,37,281
Monthly Average	54,39,254	63,36,666	55,19,830	19,99,943	89,00,000	1,64,19,773

* Besides this, Silver Bullion of the value of about 86 lakhs of rupees was withdrawn after tender at the Mint, doubtless for the purpose of being sent up the country, and bullion of the value of about two lakhs of rupees was rejected as unfit for coinage

NOTE —The amount of "bullion received" represents the amount of Mint Certificates granted, *plus* Mint-Duty, Refining Charges, &c. The amount "Tendered" in the three years from the 1st May 1861 to the 30th April 1864 was as follows —

3C

Statement in Rupees of Silver Bullion tendered for coinage to the Bombay Mint, monthly, from the 1st May 1861 to 30th April 1864

Years.	May	June.	July	August.	September.	October.	November.	December.	January	February	March.	April.	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1861-62 ...	26,14,830	42,74,615	18,760	13,000	11,63,600	25,06,193	40,70,031	57 77,808	38,63,310	84,19 450	81,50,234	58,01,914	4,84,38,849
1862-63 ...	69,68,993	6,741	3,73,839	2,01 300	36,97 647	53,44,911	23,09 900	2,20,53,341	84,19,618	80,15,186	68,17 219	30,53,783	6,66,68,013
1863-64 ...	3,72,478	40,06,968	15,90,061	1,12,011	18,11,964	69,24,371	1,25,18,330	61,94,425	1,16,31,674	1,13,20 091	1,00,43,900	40,00,000	7 09,25,293
Total ...	90,61,344	84,81,800	15,83,141	4,17,111	67 63,100	1,47 75,475	1,85,05,063	3,40,27 664	2,57 18,649	2,79,93,629	2 49,79,453	1,28,44,696	18,62,20,154
Average ...	33,30,418	28,17 846	6,09 714	1,39,037	22,54,367	63,58,492	65,01,688	1,18,42,888	79,05,549	93,31,207	83,26,484	40,15,232	

Estimated.

The 25th May 1864

S D BIRCH,
Depy Auditor and Accountant Genl

APPENDIX No. 4.

From CAPTAIN H. HYDE, R. E., *Master of the Calcutta Mint, to* SIR C. E. TREVELYAN,—*dated 7th June* 1864.

I enclose you a copy of the proceedings of the Magistrate of Howrah in the case to which the statement you enclosed referred. You will see that no Gold Mohurs were found, though dies, of which I send you a *fac simile*, were. No 4

I can give you all the information you require from two other cases that have come under my notice, and of which all the coining material was sent to the Mint.

In May 1861, the Commissioner of Police sent to the Mint $953\frac{1}{4}$ counterfeit Gold Mohurs. These coins appear to have been counterfeits of new standard Sicca Gold Mohurs, and were nearly standard weight. The assay gain $4\frac{7}{8}$ Worse, and the intrinsic worth was 946-7-10 Gold Mohurs = Rs. 14,197-5-6.

In July 1863 the Commissioner of Police sent $162\frac{3}{4}$ counterfeit gold coins, the assay of which was found to be 6 Better. The coins appear to have been counterfeits of the old standard Sicca Gold Mohur, and were nearly standard weight; and their value was 179-13-5 Gold Mohurs, or Rs. 2,697-9-3.

The coiners stood to gain in their transactions as follows:—

May 1861.—$953\frac{1}{4}$ counterfeit new Sd. S. G. M., assay $4\frac{7}{8}$ W. = Co.'s G. M.	946 7 10	at 15 = Rs.	14,197 5 6
$953\frac{1}{4}$ genuine ditto ditto standard = ditto	1,002 0 0	at 15 = Rs.	15,030 0 0
		Gain to coiner Rs.	832 10 6
But the market value of these G. M. = Rs. 17. $953\frac{1}{4}$ at 17 = Rs.	16,205 4 0		
D. D. standard value = ,,	15,030 0 0		
Additional gain on enhanced price Rs.	1,175 4 0	= Rs.	1,175 4 0
		Total gain . Rs.	2,007 14 6
July 1863.—$162\frac{3}{4}$ counterfeit old standard S. G. M., assay 6 B. = G. M.	179 13 5	at 15 = Rs.	2,697 9 3
$162\frac{3}{4}$ genuine ditto ditto $7\frac{1}{4}$ B. = ditto	182 15 0	at 15 = ,,	2,761 14 0
		Gain to coiner . . Rs.	64 4 9
But the market value of these G. M. = Rs. 20. $162\frac{3}{4}$ at 20 = Rs.	3,255 0 0		
D. D. standard value = ,,	2,761 14 0		
Additional gain on enhanced price = Rs.	493 2 0	= Rs.	493 2 0
		Total gain ... Rs.	557 6 9

Thus showing a gain on the transaction of May 1861 of Rs 2,007 14 6, and on that of July 1863 of Rs 557-0-0, calculating the tolah of standard gold at Rs 16, but if something more were paid, i e, market rate, the first transaction would only be affected to about Rs 150, and the second to about Rs. 25

I do not doubt but that Gold Mohurs of ancient date that bear fictitious value are constantly counterfeited in their full intrinsic value

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(The following is that part of the Proceedings of the Magistrate of Howrah, in the Suburbs of Calcutta, which relates to this subject.)

Some short time afterwards, one of the Constables observed the prisoner, Sreedhur's wife, moving in a manner which apparently excited their suspicions, and following her, found her hands covered with dust on being charged with attempting to conceal something she produced from behind some bricks in the wall four different dies and a number of implements used for the purpose of sinking dies; all these dies are intended for coining Mohurs. The evidence of the witness Ram Kisto, who states that he has worked for the prisoner Sreedhur for four years, appears to prove that the coining of Mohurs was the business chiefly carried on by the prisoner

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From CAPTAIN TIGHE, *Offg Depy Commr of Ambala, to Colonel* SIR HERBERT EDWARDES, K. C. B.,—*dated 24th June* 1864

I meant before this to have reported officially on the Jugadree coining case, but the report was delayed owing to your kindly allowing me to stay up here a few days.

As, however, you will no doubt be besieged by numerous petitions from the parties concerned, it is right you should have a sketch of the proceedings as soon as possible

About six months ago, there was a squabble among the principal coiners of Jugadree, and one of the number gave certain imperfect information to the Tehseeldar Burkut Ali who told Parsons and myself There appears to have been some suspicion among the parties concerned that all was not right, as for some time we could get no information of any more Mohurs coined or sent away. On the 11th, however, Pearson

received a message from the Tehseeldar, begging him to come to Jugadree. He went, accordingly, unknown to any one, and posting sentries about, cleared the houses of the suspected parties in the morning, making a simultaneous search The result of the search showed that the parties had been warned In only one house were any of the alloyed Mohurs found, and no dies were produced. We believe this information to have been given by one Deputy Inspector Sungut Sing to Daveechund, who, the night Parsons came in, made a precipitate retreat into Puttialah, hardly halting at Amballa. The Tehseeldar had, on sending for Parsons, received information of the despatch of a consignment of 163 Mohurs to Simla, and arrangements were made to arrest the messenger This was done at Kalka, and the Mohurs found on the messenger, they were examined and all found alloyed. No. 4.

Immediately on receiving Parsons' information, with a request that I myself would come to Jugadree also and conduct the investigation on the spot, I did so, and examined the witnesses and tools in presence of the accused.

The result of this examination shows clearly—

That for the last ten years, Gold Mohurs have been regularly manufactured at Jugadree by several different parties, that these Mohurs are made to resemble the old Jeypore Mohur of the years 8 to 13, but, instead of being of the value of Rs 16 to Rs 16-2, are really worth little more than Rs. 14 to Rs 14-8 The profit being divided thus —

Goldsmith ..	4 annas fixed fee
Coiner shroff	8 do. to 10 annas
Utterer ,	8 do. to 10 do

There are four principal coiner shroffs at Jugadree—Zahuoo, Narayundás, Deen Dyal, and Adjoodhia, the three first are all under trial, the fourth is the original informer

All these men have regular dealings with the more respectable bankers, to whom the coining is well known, and who, accordingly, buy Mohurs from these men for the purpose of uttering them principally in the hills

Whilst the price of a real Jeypore Mohur is from Rs 16 to Rs. 16-2 at Jugadree itself, they buy these alloyed Mohurs for prices ranging from Rs. 15-3 to Rs 15-12, selling them for Rs. 16 at Simla and

4. Mussoorie, where there is a great demand, owing to the number of servants and men employed on the Thibet Road, who save their wages to purchase Mohurs as more portable, and also to the hoarding propensities of the Hill Rajahs. I cannot yet calculate the exact amount coined, but Deen Dyal, one of the coiners, who has confessed with the hope of saving his sons, states that a profit of Rs. 4,000 a month is easily made This would give an out-turn of about 2,000 Mohurs a month, but I doubt quite so many being coined, at the same time, I believe 1,000 may be calculated on

These Mohurs are principally made out of British sovereigns, technically called by the shroffs *dilmdikds*, and this is I think, the most important feature of the case as pointing to the absolute necessity of some Government gold coin.

Surely, if it is worth while for the Jugadree people to mutilate sovereigns and turn them into *Gold Mohurs Jeypooree*, which pass throughout the plains for Rs 16 with very slight fluctuations it would not be difficult to make the sovereign itself a legal tender at Rs 10

The coining as far as I can learn, is not confined to Jugadree, but is also practised at Delhi, Shamlee of Saharunpoor Roorkee, and other places perhaps Umritsur

During the examination the accused implicated each other and many confessed and with regard to the principal people arrested the following are the heads of evidence It must be remembered that the books have not fully been gone into yet —

Daveechund banker (Durbaree *) not present at original enquiry having bolted to Puttialah, returned on the evening of the second day

Mootaruddee Mul brother and partner of Daveechund present Books examined show regular dealings with the coiners *Zakiroo* and *Adjoodhia* and purchase of (on a cursory examination) 500 Mohurs at low rates from the same transmitted to Simla to Mohun Lal the agent there, also a brother and member of the firm

In December 1861, Mahomed Rusheed then Kotwal of Simla now Tehsildar of Kurrur got information that Daveechund s firm at Simla were in the habit of dealing in alloyed Mohurs He, in consequence,

* That is a person of such consideration that he is on the list of those admitted to the Governor General s Durbar

purchased sixteen of these Jugadree Mohurs, and brought them to his superiors; the matter at the time was hushed up, and nothing more was said about it But it is important now as proving the guilty knowledge of Daveechund's firm, who, after this warning, continued their dealings with the coiners No. 4.

The next principal person concerned is Futteh Sing, Khatree, head of one of the chief families represented by *Daveechund*, *Futtehchund*, and the *Amballa Treasurer* This man's books show distinctly the delivery of sovereigns to the coiners, and the receipt per contra of Jeypore Mohurs. They also show a particular transaction in which Futteh Sing went partners with Deen Dyal, coiner shroff, in a particular remittance of Mohurs to Teeree, in Mussooree, which proved a loss

Dogar Mul, Khatree, brother-in-law of Daveechund, admits knowingly giving a certain number of sovereigns to the coiners, and receiving back the same in Jeypore Mohurs made up on the spot.

The Amballa Treasurer's son's books, at Jugadree, also show regular transactions

I have permitted several of those concerned to turn Queen's evidence, and the case is now nearly complete against the principals

The Amballa Treasurer admitted to me that he had known of this coining some time, but did not report it, as he thought I had not time to hear him!! He is a very respectable old man, and I do not believe *himself* concerned, though all his family are

When Parsons had searched the houses and returned to the bungalow, the people of the city, headed by *Futteh Sing*, were most insolent and tried to intimidate him. They behaved excessively badly. None of the dies, save three of Narayundass's, have been delivered up, and these were got by the informer by stratagem. I accordingly sent for the whole punch, consisting of some thirty to forty of the principal Bunnyas and Khatrees, and told them I considered them all equally concerned, and if the dies were not produced in four days, I would recommend an extra Police force, at a cost of Rs 150 a month, being quartered on them As there are at least seventeen to eighteen dies in the town, and they have not been delivered up yet, I shall, when I go down, make the threatened report.

5 I have above principally alluded to Jeypore Mohurs uttered in the hills; but Moorshedabad Mohurs are also made up and uttered in the plains.

APPENDIX No 5

Fort St George, Revenue Consultation of 2nd July 1858

From H D Phillips, Esq, *Collr of Tanjore, to Secy to Board of Revenue, Fort St George,—No* 108, *dated Tanjore, Point Calimere, the* 10*th June* 1858

Owing to the apparent scarcity of silver coins in the market, the Merassidars of this district feel considerable difficulty at present in meeting the usual demand on account of their monthly kists Several complaints have already reached me on the subject, and I have reason to think that the collections are impeded from this cause.

2 There seems to have been a great influx of sovereigns in the district the grain exported from the Tanjore Ports to Colombo and other places being generally paid for in gold. These coins, which heretofore were seldom or never procurable unless at a premium, appear now to be selling at a discount of from one to two annas a piece.

3 Under these circumstances, the Merassidars have requested that my Tehsildars may be allowed to receive gold sovereigns at par i. e., at the value of Rs. 10 each, in payment of the Government revenue.

4 The Notification of the Government of India, republished in the Fort St. George *Gazette*, page 2 of 1853 prohibits 'the receipt of gold coins into the public treasuries of Government.' But as it is of the utmost importance that every facility should be afforded to the ryots, in a season like the present, in the payment of the public revenue I have deemed it necessary to lay the subject before the Board of Revenue, in order that they may take such steps in the matter as may seem to them called for

5 It has occurred to me that the Board might desire to know how many sovereigns on the aggregate have been proffered for payment of the ordinary kists and I have sent a Circular to the Tehsildars to endeavor to ascertain the total should they have kept a note of the matter But to await the result of my application to them would have delayed this communication and after all the needful information might not have been obtained.

Read the following Extract from the Proceedings of the Board of Revenue,—No. 2168, dated 22nd June 1858.

In Cons 22nd June 1858.

Read letter from the Collector of Tanjore, dated 10th June 1858, No 5 recommending that, owing to the scarcity of silver coin in the province, sovereigns may be received in payment of revenue

(Here enter No 108)

The Collector states that sovereigns have been received by the Merassidars in large numbers, from Ceylon, in return for rice exported

2 The Board resolve to forward Mr Phillips' letter for the orders of Government, and recommend that he be permitted to receive sovereigns at par till further orders

(A true Extract)

(Signed) J. D SIM,

Sub-Secretary

Order thereon; No 870, dated 24th June 1858

Referred to the Accountant General for immediate report.

(Signed) W H BAYLEY,

Actg Secy to Govt

Read again Extract from the Proceedings of the Board of Revenue, dated 22nd, and recorded in Diary to Consultation 29th June 1858, No 998

Read also the following letter from G L PRENDERGAST, ESQ., *Acctt. Genl, to Actg Secy to Govt of Fort St George, in the Revenue Dept,—No 72, dated 25th June 1858*

I have the honor to acknowledge the receipt of the order of Government, dated 24th instant, No 870, referring to me for report Extract from the Proceedings of the Board of Revenue on a letter from the Collector of Tanjore in which he requests permission, in consequence of the scarcity of silver coin in his district, to receive payment of revenue in sovereigns The Board also recommend that he be permitted to receive them at par till further orders

5 2 Under the Notification of the Government of India, dated the 22nd December 1852, to which the Collector of Tanjore has referred, the receipt of gold coin into the public treasuries of Government is prohibited, and it may therefore be proper to communicate with the Supreme Government on the matter, but, under the circumstances represented by the Collector, I think he may safely be permitted, as a special case, to receive sovereigns into his Treasury in payment of revenue, pending the proposed reference to the Supreme Government. I would also suggest that they be received, as recommended by the Revenue Board, at the par rate, i e., Rs 10 each.

3 These sovereigns, when received by the Collector of Tanjore, cannot, under the existing rules, be issued by him, and will therefore form part of his specie remittances to the General Treasury at Madras. On being received into the General Treasury here, I would beg to recommend that the Sub-Treasurer be authorized to sell them, but not at a less rate than that at which they may be received by the Collector As the market rate of sovereigns has not within my recollection, been lower here than Rs 10 per sovereign I do not anticipate that there will be any difficulty in realizing Rs. 10 each. The present rate of sovereigns in the Madras market is about Rs. 10 2-0 each The excess may be credited to "Profit and Loss" in the accounts of the Sub-Treasurer

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Order thereon *No* 888 *dated* 29*th* *June* 1858

Resolved that a copy of the Accountant General s letter be furnished to the Collector of Tanjore, through the Board of Revenue for his information and guidance.

2 Before addressing the Government of India on the subject as suggested by Mr Prendergast in para. 2 of his letter the Government are desirous to know if the present contingency is likely to continue for any length of time The Board will furnish full information on the point, and state also what has contributed to the peculiar scarcity of silver coin in Tanjore at the present time

(Signed) W H BAYLEY,

Actg Secy to Govt

From H. D PHILLIPS, ESQ, *Collr of Tanjore, to Secy. to Board of Revenue, Fort St. George,—No.* 115, *dated Kodicurray,* 23rd *June* 1858.

Adverting to my letter of the marginal date, I have the honor to enter below a Statement of the number of sovereigns which appear to have been offered in payment of kists due for the current Fusly in fourteen of the sixteen Talooks which compose this district. No. 5.

10th June 1858, No 108.

2. I have not yet received a Return from Talooks Tritrupoondy and Puttoocottah, but a representation has reached me from certain merchants in the latter division asking why the gold coins, which are current across the Bay in the limits of the Ceylon Government, should not also be received here by Government Officers in liquidation of Government dues for Salt and Sea Customs They assert that the exception taken to sovereigns is productive of much pecuniary loss to them, and beg that it may be abandoned.—

	Sovereigns.
Numullum	2,000
Keevalore	6,000
Tranquebar	100
Munnargoody	2,500
Trivalore	6,000
Tiruvady	200
Parellum	1,000
Velungamann	870
Myaveram	1,000
Codavassel	500
Papanassem	200
Shealley	1,000
Combaconum	100
Coottalum	7,000
Total	28,170

From H D PHILLIPS, ESQ , *Collr of Tanjore, to Secy to Board of Revenue, Fort St George,—No* 117, *dated Kodicurray, 25th June* 1858

23rd June 1858, No. 115

	Sovereigns
Amount reported	28,470
Add—	
Tritrapoondy	3,000
Puttoocottah	3,000
Total	34 470

In continuation of my letter marginally noted, respecting the extensive circulation of sovereigns, which, however, I am precluded from accepting in payment of the ordinary revenue demand, I have the honor to state that the amount which appears to have been offered in Talook Tritrapoondy is £3,000 and that in Puttoocottah it may, I think, from what the Tehsildar states, be calculated at a similar figure.

FORT ST GEORGE, REVENUE CONSULTATION OF 20TH JULY 1858

Read the following Extract from the Proceedings of the Board of Revenue,—No 2288, *dated 2nd July* 1858

In Cons. 2nd July 1858.

Read letter from the Collector of Tanjore, dated 23rd June 1858, sending, with reference to his former letter a Statement of sovereigns offered in payment of kists for the current Fusly

[Here enter No 115]

In Cons. 2nd July 1858.

Read also letter from the same Officer dated 25th June 1858 reporting the amount of sovereigns offered in payment of kists at Tritapoondy and Puttoocottah Talooks.

[Here enter No. 117]

Submitted to Government with reference to the Board s Proceedings dated 22nd June 1858, No 2168

(A true Extract)

(Signed) G S FORBES

Secretary

Order thereon, No 960, *dated* 14*th July* 1858

The Collector of Tanjore, in one* of the letters submitted with the No 5
Board's Proceedings above recorded, states that certain inhabitants represent that the exception taken to the receipt of sovereigns in liquidation of Government dues is productive of much pecuniary loss to them, and beg that the restriction may be abandoned The Government will take the subject into consideration on the receipt of the report called for in Extract Minutes Consultation, dated 29th June 1858, No 888

* Dated 23rd June 1858, No 115

(Signed) T PYCROFT,
Chief Secretary

From A. HATHAWAY, ESQ., *Actg Collr of Madura, to Secy to Board of Revenue, Fort St George,—No* 164, *dated* 9*th July* 1858

With reference to the Board's Proceedings of the 1st instant, No 2278, I have the honor to inform you that no sovereigns have been tendered in payment of revenue, as the order prohibiting the receipt of gold coin in the public treasuries, is generally known among the community. Gold coin has certainly been introduced into this district to a large extent, inasmuch as a sovereign can be procured for Rs 9-14 in the Madura market.

From D MAYNE, ESQ., *Actg Collr, Tencausy, to Secy. to Board of Revenue, Fort St. George,—No* 236, *dated* 16*th July* 1858

With reference to paragraph 4 of Extract from the Proceedings of the Board of Revenue dated the 1st instant, requesting to be informed whether sovereigns have been tendered to any extent in payment of revenue, and whether they are known to have been largely introduced into this district, I have the honor to inform you that sovereigns are imported from Ceylon, and introduced largely in the first six, and to a small extent in the last three Talooks named in the margin. If not prohibited by law, sovereigns, it appears, would be tendered in payment of revenue, but they are now sold for the current silver coins.

Nelliambalum
Vullyoor
Streenycoontum.
Puuchamahl
Bremmadasum
Ottapedarum
Suttoor
Streevillypoottoor, and
Sheukerninarcoil

No 5

* Vedoogrannum Tencaury Sharenmadery and Nangoonary

2 It is reported that sovereigns do not abound in four of the Talooks* in this district.

From H. D PHILLIPS, ESQ, *Collr of Tanjore, to Secy to Board of Revenue, Fort St George,—No* 150, *dated Point Calimere, 24th July* 1858

I have had the honor to receive an Extract from the Proceedings of the Board of Revenue, dated the 1st instant, No 2278, making certain inquiries in connection with the present scarcity of silver coin in the Tanjore Province

2 The Board are aware that the great staple produce of this district is paddy, and that a large trade in it is carried on with Ceylon The shipments were usually paid for at Colombo by Hoondies on merchants at Madras, who again remitted the money to this district by Accountant General s bills, which were cashed at the local treasury From all the inquiries I have been able to make on the subject, it appears that, owing probably to the late failures in the commercial world, and the consequent general depression of trade, bills are no longer preferred, but that payment is received at once in cash for the exports and that thus sovereigns the coin in which those payments are made, find their way in large quantities into this district This belief seems so far correct that there is actually a great falling off in the aggregate amount of the Accountant General s bills drawn on my Treasury, which is *pro tanto* specie withdrawn from local circulation.

Amount of bills drawn.

	Co.'s Rs.
1852-53	19 07 470
1853-54	16,66,166
1854 55	21,39 467
1855-56	13,96,329
1856-57	14,15 600
1857-58	13 45,311

3 Another main cause of the scarcity of silver in the district may be traced to the extinction of the Tanjore Raj and with it the disappearance of numerous sources of expenditure Ten lakhs of rupees used to be annually disbursed as the Punjum Hissah from the Public Treasury, all or almost all which money was of course expended in the district, and thus thrown into circulation. This, under the existing state of Tanjore affairs is no longer the case to the same extent.

4 Latterly, too, the outlay on account of Public Works has been greatly curtailed owing to the restrictive orders on expenditure an important change of the kind seems to me to be another of the causes which have tended to produce the present scarcity of the usual circulating medium

5 In proportion to the diminution from these causes in the local expenditure is the increase in the remittances to Madras of public cash. No 5

6 It is very difficult to form a safe opinion whether the influx of sovereigns is likely to be constant, but as the export trade of the province is carried on chiefly with a Crown settlement, where that coin is the medium of exchange, and as a large portion of the lower classes of the population emigrate from this district to Ceylon and the Mauritius, and usually return with their accumulated earnings in gold, there must, at all times, be a large quantity of sovereigns in circulation in Tanjore, and I have no doubt, therefore, that a complete removal of the restriction, which the Government have now only temporarily relaxed, would prove beneficial, and facilitate the collection of the revenue

7 The withdrawal of the prohibition already sanctioned will lead Native merchants freely to receive payments in gold, and will, I conclude, have the effect of keeping up the value of the sovereign at par, even if it does not rise above that figure.

From H. D. PHILLIPS, ESQ, *Collr. of Tanjore, to Secy to Board of Revenue, Fort St. George,—No.* 162, *dated Negapatam, 6th August* 1858

Adverting to my letter of date the 24th ultimo, No 150, I have the honor to state that the collections of public arrears made in sovereigns, in the Keevalore Talook, of which the Cusbah is Negapatam, during the past month, amounted to Rs 10,400

The whole arrear realized in that period was Rs 51,723-15

FORT ST GEORGE, REVENUE CONSULTATION OF 14TH SEPTEMBER 1858

Read the following Extract from the Proceedings of the Board of Revenue,—No 3086, *dated 14th August* 1858.

Read the following letters —

From Acting Collr	of Madura,	dated	9th July,	in Cons	14th	Aug	1858.
,,	,, of Tinnevelly,	,,	16th ,,	,,	,,		,,
,,	,, of Tanjore,	,,	24th ,,	,,	,,		,,
,,	,, of Tanjore,	,,	6th ,,	,,	,,		,,

[Here enter Nos 164, 236, 150, and 162]

Resolved, that the above letters be submitted for the information of Government, with reference to Extract Minutes Consultation, 29th June and 14th July 1858, Nos 888 and 960 R D

In Cons 1st July 1858
,, 24th ,, ,,

, 5 2 In his letter above recorded, the Collector of Tanjore furnishes the information required by Government regarding the scarcity of silver coin in that district and the influx of sovereigns

3 Mr Phillips states that considerable trade is carried on between Tanjore and Ceylon in paddy, the staple product of the former province and that the shipments have hitherto been usually paid for in Hoondies on merchants at Madras who again make their remittances by Accountant General's bills on the Tanjore Treasury Mr Phillips' enquiries lead him to believe that owing, probably, to the recent commercial failures and depression of trade, this mode of receiving payment is no longer preferred, and the exports are paid for in sovereigns (*the current coin of Ceylon*) which thus find their way largely into Tanjore.

	Co.'s Rs.
1852-53	10,67 470
1853-54	10,66,166
1854 55	11,39 467
1855-56	13,00,329
1856 57	14 16,600
1857 58	13,46,311

Revenue from all sources

Fusly	1264 *A D*	1854-55	Rs.	54,75,000
	1265 *A. D.*	1855-56	"	53,85,000
	1266 *A. D*	1856-57	"	56,29,000

4 This belief, Mr Phillips adds, is to a certain extent confirmed by the falling off in the amount of the Accountant General's bills drawn on his Treasury The marginal abstract shows the amount of these bills for the six years ending with 1857-58 and it will be seen from it that there has not been much variation during the last three years, when compared together but a great decrease appears when the comparison is made with the three preceding years the average of the former (1855-56 to 1857-58) being only Rs. 13 85,747 while that of the latter (1852-53 to 1854-55) is Rs. 10 24,368 It is clear from this that of late a considerable amount of silver has been withdrawn from circulation in Tanjore.

5 Another cause assigned for the scarcity of silver is the extinction of the Raj Ten lakhs of rupees were formerly disbursed as the fifth share of the Rajah in the revenue of Tanjore and almost the whole of this was expended in the district.

6 The recent restriction in expenditure on public works is cited by Mr Phillips as another cause of the scarcity of coin

Sept. 1857 Rs. 3 08,000 to Bombay

7 The Board have no information regarding the Government remittances from Tanjore in coin by land but the Statements of imports and exports of specie by sea on their account are blank, with the exception noted in the

margin Mr. Phillips, however, states that the remittance of public cash from Tanjore has increased in proportion to the diminution in the local expenditure.

8 Mr Phillips is unable to affirm with any degree of certainty that the influx of sovereigns is likely to be permanent, but as the trade of the district with Ceylon is extensive, and a large portion of the lower classes emigrate to that Island and Mauritius, and usually bring back their savings in gold, a condsiderable number of sovereigns must always be introduced into the district

9 In a subsequent letter, the Collector reports that in the Keevalore Talook Rs 10,400 have been paid in sovereigns out of a total sum of Rs 51,724 collected during last month

10 It will be seen from the letters of the Collectors of Tinnevelly and Madura, that sovereigns are largely introduced into those provinces also, and that in the latter, their present market value is only Rs. 9-14 each This depreciation in value Mr. Hathaway ascribes to their abundance, but it is no doubt owing also in some degree to their not being accepted in payment of the public revenue, which (including all sources) is about 25 lakhs per annum.

11 The Board append an abstract, showing the total imports and exports of sovereigns for the Presidency by sea during the last three years, according to the Customs Returns —

SOVEREIGNS VALUED IN COMPANY'S RUPEES.

Imports by private Individuals

Districts	1855-56	1856-57	1857-58	Total
	Rs	Rs	Rs	Rs.
Rajahmundry	... .	4,000	24,500	28,500
South Arcot			120	120
Tanjore	72,210	2,25,500	1,22,450	4,20,160
Tinnevelly	41,375	94,810	1,99,200	3,35,385
Canara	9,122	9,950	14,929	34,001
Malabar	3,400	38,785	1,02,865	1,45,050
Madras	9,11,665	13,91,551	25,61,323	48,64,539
Total	10,37,772	17,64,596	30,25,387	58,27,755

Gold imported by private Individuals

[illegible]	[illegible]	1856-57	1857-58	Total.
	Rs.	Rs	Rs.	Rs
[illegible]		2,500		2,500
[illegible]	700		60,000	60,700
Total	700	2,500	60,000	63,200

No imports or exports of gold by Government.

(A true Extract)

(Signed) J D SIM,
Secretary

Ordered, in consequence, that the following letter be despatched —

From T PYCROFT, ESQ *Chief Secy to Govt of Fort St. George, to Secy to Govt. of India* —*No* 1250, *dated* 14*th September* 1858

With reference to the Financial Notification of the Government India, dated 22nd December 1852, No 26 prohibiting the receipt of gold coins into the public treasuries, I have the honor by desire of the Governor in Council, to submit copies of the correspondence noted in the *margin* which will show that silver coin becoming scarce in Tanjore, and that sovereigns are largely introduced to that district as well as into Tinnevelly and Madura, and to request that permission may be granted for departing from the terms of the Notification alluded to in such of the districts of this Presidency in which the Government may find it necessary for the punctual collection of the public revenue. It will be observed that in Madura, the present market value of the sovereigns is stated to be Rs. 9 14 and this depreciation in value is (though the Acting Collector ascribes it to their abundance) in some degree, owing to their not being accepted in payment at the Government Treasuries

From Collr of Tanjore to Bd.,	10th June 1858.	
Prodgs. of Rev Bd to Govt.,	22nd "	No. 2161.
Order thereon,	24th "	" 870
From Acctt. Genl. to Govt.,	25th "	" 72.
Order thereon,	29th "	" 888.
From Collr of Tanjore to Bd	23rd "	
From do. to do.	25th "	
Prodgs. from Bd. of Rev to Govt.,	2nd July 1858	" 2238.
Order thereon,	14th "	" 960.
From Actg Collr of Madura to Bd.,	9th "	
From do. of Tinnevelly to do.	16th "	
From do. of Tanjore to do.	31th "	
From do. do. to do.,	6th August 1858	
Board's Proceedings to Govt.	14th "	

2 In Tanjore the scarcity of silver coin became so conspicuous that No 5 this Government were obliged, as a temporary measure, to authorize the receipt of sovereigns, for it was apprehended that, without such permission, the public revenue might fall largely in arrears They will be received at par value, viz, Rs 10, and are invariably to be remitted to the General Treasury at Madras, when the Sub-Treasurer will sell them at a rate not less than that at which they were received by the Collector.

FORT ST GEORGE, REVENUE CONSULTATION OF 28TH SEPTEMBER 1858.

Read the following letter from G. L. PRENDERGAST, ESQ, *Acctt. Genl., to Chief Secy to Govt of Fort St. George,—No.* 192, *dated* 18*th September* 1858.

With reference to my letter to the address of the Acting Secretary to Government in the Revenue Department, dated the 25th June last, and to the order of Government passed thereon, as per Extract from Minutes of Consultation, dated the 29th June 1858, No. 888, I have the honor to transmit herewith copy of a letter from the Collector of Tanjore, dated the 13th instant, in which he requests permission to issue, to those who may be willing to receive them, the gold sovereigns which he has been temporarily authorized to receive in payment of the public kists in consequence of the scarcity of silver.

2. The Collector of Tanjore has recently sent a remittance of ten lakhs of Rupees to the Presidency, Rs. 52,260 of which consisted of sovereigns. Having sent away his surplus silver, it cannot be expected, specially at this season when the revenues are small, if most of such revenues are paid in gold, that the Collector will be able to meet the current demands on his treasury, if his disbursements are confined to silver

3. Moreover, the object in prohibiting the re-issue of gold and silver uncurrent coins, amongst which sovereigns* have been hitherto classed, is to secure their being sent sooner or later to the General Treasury, and thence forwarded to the Mint for re-coinage This was not intended in the case of the gold sovereigns, which the Collector was authorized to receive and to send to the General Treasury for the purpose of being sold

* It may be doubted, now that the East India Company has ceased to exist and India is an English Colony, as much as Ceylon or any other, whether sovereigns "can any longer be regarded as uncurrent"

4 Under these circumstances, I beg to recommend that the Collector of Tanjore be permitted, as a special case, to issue the sovereigns received by him, in payment of the demands on his treasury, to parties willing to receive them, in the event of the silver in his treasury proving insufficient for that purpose

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From H D PHILLIPS, ESQ , *Collr of Tanjore, to Acctt Genl. Fort St George —No 720, dated Vellum,* 13*th September* 1858

In paragraph 3 of your letter to Government, dated the 25th June 1858, No 72, you state that sovereigns, when received into the treasury, "cannot under the existing rules, be issued" by me.

2 You are aware that, at this season the collections in the Talooks are very limited. The small payments of revenue that are made are mostly in gold coins

3 Under the present arrangements, nearly all the local disbursements have to be made from the Talook *treasuries;* and the re issue of gold coins being prohibited they have to be remitted to the treasury at Tranquebar, from which silver coins have to be sent to the Talooks, thus entailing unnecessary inconvenience and delay

4 The balance of cash in the Hoozoor treasury is small and while the receipt of sovereigns is allowed, if their re-issue is interdicted it will become necessary that I should apply for a remittance in silver coins, from Madras or other quarters, to meet the current demands on my treasury

5 Out of the balance of cash in the Hoozoor treasury at Tranquebar, there are at present Rs 10 000 in gold coins and you are aware that Rs. 52 000 and odd in gold formed part of the recent remittance of ten lakhs by the ' Coromandel. What quantity of them there is in the Talook balances, the Returns at hand do not show but some of the Tehsildars have applied for a remittance in silver in place of the gold coins in their hands to meet the current month s disbursements.

6 Under these circumstances and as the prohibition to receive gold coins in payment of the public kists has been temporarily relaxed

and I am not aware of any objection to sovereigns being tendered in payment to those who may be willing to receive them, I request you will be so good as to obtain or grant the necessary authority, as a special case, for departing from the rules you refer to. No 5.

Order thereon, No. 1292, *dated 22nd September* 1858

Under the circumstances represented by the Collector of Tanjore, Government grant authority, as a special case, for the issue of gold sovereigns to parties willing to receive them, in payment of demands on the Tanjore treasury, provided that the silver in that treasury is unequal to the demands upon it. A report of this will be immediately made for the information of the Government of India

(Signed) T. PYCROFT,
Secretary

Ordered, in consequence, that the following letter be despatched —

From T. PYCROFT, ESQ, *Chief Secy to Govt. of Fort St George, to Secy. to Govt of India,—No* 1293, *dated 22nd September* 1858.

18th September 1858 No 192, with letter from Collector of Tanjore, 13th September 1858, No 721

With reference to my letter dated 14th September 1858, No 1250, reporting that this Government had been obliged, as a temporary measure, to authorize the receipt of sovereigns into the treasury of Tanjore, in consequence of the scarcity of silver coin in that district, I am directed to submit, for the information of the Government of India, the accompanying copy of a letter from the Accountant General, with its enclosure, and to report further for the confirmation of the Supreme Government the orders of this Government in since sanctioning, as a special case, the issue of gold sovereigns from the Treasury of Tanjore to such parties as may be willing to receive them in payment of their demands, provided, however, that the silver in that treasury was unequal to the demands upon it The Government were induced to authorize this measure, as the Collector apprehended that he would be otherwise obliged to apply for silver from Madras and other quarters, in order to meet the current demands of his district

FORT ST GEORGE, REVENUE CONSULTATION OF 20TH OCTOBER 185

Read the following letter from G L. PRENDERGAST, ESQ., *Act''*
to Chief Secy to Govt of Fort St George,—*No* 220, *d*
October 1858

With reference to the second paragraph of my letter to ment, dated the 18th ultimo, in which I mentioned that, out of remittance of ten lakhs of rupees received from the Collector of Tanjore, Rs 52,200 consisted of gold sovereigns, I have the honor to report, for the information of Government, that the said sovereigns have been sold by the Sub-Treasurer, under the orders contained in Extract from Minutes of Consultation dated the 20th June last, No 888 The amount of difference between the rate* at which the sovereigns in question were received by the Collector, and the rates at which they have been sold, viz., Rs. 801 12-6, has been credited to "Profit and Loss" in the accounts of the Sub Treasurer Particulars of the sale are hereunto subjoined—

* Rs. 10 per sovereign.

4 677 gold sovereigns (English coinage), at Rs. 10 2 6 each, Rs.	47 500	12	6
163 half „ „ „ 5 1 3 „ „	771	14	0
425 gold „ (Australian coinage) „ 10 2 0 „ „	4,303	2	0
96 half „ „ „ 5 1 0 „ „	486	0	0
Total, Rs.	53,061	12	6
Deduct invoice value at Rs. 10 per sovereign „	52,200	0	0
Difference credited to Profit and Loss, Co.'s Rs.	801	12	6

Order thereon, No 1455, *dated* 29*th October* 1858

Ordered, that the foregoing letter be recorded.

(Signed) W H BAYLEY,
Acting Secy to Govt

FORT ST. GEORGE, REVENUE CONSULTATION OF 5TH NOVEMBER 1858

Read the following letter from C HUGH LUSHINGTON ESQ., *Secy to Govt of India, Finl. Dept., to Chief Secy to Govt Fort St George*—
No 5641, *dated* 12*th October* 1858

I am directed to acknowledge the receipt of your letters No 1250, dated the 14th ultimo and No 1203, dated the 22nd idem with their enclosures, reporting that the Government of Fort St. George have

the Government order, I am requested No. 5.
considered it necessary ... the 2nd paragraph of the above-
into the Tanjore Treasury ... as to the grounds on
in consequence of a scarcity of ... lue of a gold sovereign,

2 I am desired to request ... neous, but the error
on what grounds Rs. 10 was assumed ... ding to the Bom-
in question. The President in Council ... order of Gov-
to assign any intrinsic par value to the two diff... value of 100 ... ch, conse-

3. It appears to the Hon'ble the President ... Reve-
where such a real scarcity of rupees should occur ... 10
revenue in legal currency really impossible, the proper ... te,
receive uncurrent gold coins, or other commodities, ...
In the present instance, the receipt in the Tanjore treasury of ...
gold coins at more than their market value at the time and place ...
have tended to increase the very inconvenience complained of, by driving
out silver and factitiously encouraging the further importation of the
gold coins thus unduly favored.

4 But the President in Council sees nothing in the papers before him to lead him to believe that there was any such real scarcity of silver coin in Tanjore as to justify a disregard of rule, in a matter of such importance as the currency It appears to him that what has been mistaken for a scarcity of silver coin is a plethora of sovereigns, which have no concern whatever with the currency of India This seems evident from the statements of the Collector of Tanjore, that "there seems to have been a great influx of sovereigns in the district," and that "these coins, which heretofore were seldom or never procurable unless at a premium, appear now to be selling at a discount" The merchants who have exchanged the produce of the district for sovereigns, might have been left to pass off those sovereigns as though they had been any other sort of merchantable commodities, of which more than enough had been imported

5. Under these circumstances, His Honor in Council cannot but regret that the currency at Tanjore should have been disturbed by the adoption of the measure now reported The receipt, even of gold coins struck at an Indian Mint, instead of the legal currency of this country, is prohibited by the orders in force, which direct that "no gold coin" should "be received on account of payments due, or in any way to be made to the Government in any

Notification of the Government of India, Financial Department, No 26, dated 22nd December 1852

5 public treasury within the territories of the East India Company" This order was passed in consequence of the great inconvenience and loss to which the Government had been exposed in consequence of the receipt, at a fixed rate, under a Proclamation of the 13th January 1841 of gold coins struck under the provisions of Act XVII of 1835

6 His Honor in Council requests that the further receipt of sovereigns at the Tanjore Treasury may be put a stop to The sovereigns already received may be sold to the best advantage It is requested that the order noted above in the margin may be strictly observed under the Madras Presidency in future and that the dealings of the treasury at Tanjore as everywhere else, may be restricted to the legal currency of the country

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Order thereon No 1497 *dated 5th November* 1858

Ex. Mins. Cons. 29th June 1858 No. 888.
Ditto ditto 22nd September ditto, No. 1202.

Ordered to be communicated to the Board of Revenue and the Accountant General for their information and guidance. They will at once put a stop to the receipt or issue of sovereigns into the Tanjore Collector's Treasury under the orders noted in the margin Mr Prendergast will furnish the information required in paragraph 2 of the letter above recorded.

(Signed) W H BAYLEY,
Acting Secy to Govt

FORT ST GEORGE, REVENUE CONSULTATION OF 25TH FEBRUARY 1859

Read the following letter from G L PRENDERGAST Esq *Acctt Genl to* W H BAYLEY Esq *Actg Secy to Govt of Fort St. George Revenue Dept.—No* 259 *dated 13th November* 1858

With reference to the orders* of Government passed on a letter from the Secretary to the Government of India to this Government, dated the 12th ultimo, No 5641, I have the honor to state that instructions have been sent to the Collector of Tanjore to discontinue forthwith the receipt of gold sovereigns in payment of revenue and to retain those at present in his treasury until an opportunity offers for sending them to Madras for the purpose of being sold at the General Treasury to the best advantage.

* In Ex. Mins. of Cons. dated 5th Nov 1858, No. 1497

2. In the latter clause of the Government order, I am requested to furnish the information required in the 2nd paragraph of the above-mentioned letter from the Government of India, as to the grounds on which Rs 10 have been assigned as the par value of a gold sovereign, I beg to state that that expression is technically erroneous, but the error is on the side of the interests of Government According to the Bombay Revised Assay Table, furnished to this Office with the order of Government, dated the 12th May 1856, No 211, the intrinsic value of 100 sovereigns is Co.'s Rs. 1,027-1-2$\frac{2}{5}$ or Co.'s Rs 10-4-3$\frac{123}{125}$ each, consequently, when the Collector of Tanjore proposed, and the Board of Revenue recommended, that the sovereigns should be received at only Rs. 10 each, I had no objection to their being received at Tanjore at that rate, being satisfied that at the Presidency they could be sold to advantage, and I at the same time suggested, when brought here, that they should be sold accordingly. No. 5.

3. In this I have not been disappointed, as by the sale of the gold sovereigns* already received from the Collector of Tanjore, a clear gain has been effected of Co.'s Rs 801-12-6, which has been credited in the accounts of the Sub-Treasurer to "Profit and Loss," as reported in my letter to Government dated the 14th ultimo

* Entire sovereigns, 5,102
Half sovereigns, 248

Ordered, in consequence, that the following letter be despatched —

From W. H. Bayley, Esq., *Actg. Secy to Govt of Fort St. George, to Secy to Govt of India, Finl. Dept.,—No.* 1588, *dated* 27*th November* 1858.

I am directed by the Governor in Council to acknowledge the receipt of your letter dated 12th October 1858, No 5641, and to forward in reply copy of one from the Accountant General at this Presidency, furnishing the information required by the Government of India as to the grounds on which Rs. 10 have been assigned as the par value of the sovereign.

2 The Accountant General explains that the expression is technically erroneous, but that the error is on the side of the interests of Government, the intrinsic value of the sovereign being Rs 10-4-3$\frac{123}{125}$, and

the sale at the Presidency of the sovereigns already received from Tanjore having resulted in a profit of Rs. 801 12 0

3 The Government of India will observe from the communication now submitted that, agreeably to their directions, the further receipt of sovereigns at the Tanjore treasury has been discontinued

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Read the following letter from G L. Prendergast, Esq , *Acctt Genl., to Chief Secy to Govt of Fort St George,—No* 359, *dated 5th February* 1859

In continuation of my letter to you of the 14th October last, No 220, I have the honor to report that the Collector of Tanjore lately remitted to the Sub Treasurer Rs. 34 430 in gold sovereigns, which have been sold at a profit of Rs. 652 8-3 Particulars of the sale are subjoined —

500 gold sovereigns (Eng coinage) at	Rs. 10 4 0	each	Rs. 5 125	0 0
2 093 ,, ,, ,,	,, 10 3 3		,, 21 353	0 0
697 ,, ,, (Australian coinage)	,, 10 2 6	,,	,, 7,078	14 6
139 half-sovereigns (Eng coinage)	,, 5 1 6	,,	,, 708	0 6
161 ,, ,, (Australian coinage)	,, 5 1 3	,,	,, 817	9 3
		Total,	Rs. 35,082	8 3
Deduct invoice value at Rs. 10 per sovereign			,, 34 430	0 0
Difference credited to "Profit and Loss,"			Rs. 652	8 3

2 The Collector of Tanjore has reported to me that he has received a further stock of sovereigns since the despatch of the above remittance, from his Talooks which were received by his Tehsildars prior to the prohibitory orders of the 5th November last, No 1497 These sovereigns will be sent to Madras by the first opportunity and will be disposed of likewise, and the result of their sale duly communicated to Government.

Order thereon No 242 *dated 25th February* 1859

Ordered, that the foregoing letter be recorded.

J D BOURDILLON

Secy to Govt

PROCEEDINGS OF THE MADRAS GOVERNMENT, REVENUE DEPARTMENT, FROM No. 9TH TO 15TH JULY 1859.

Read the following letter from G L PRENDERGAST, ESQ., *Acctt. Genl, to Chief Secy. to Govt of Fort St George,—No.* 88, *dated* 4*th July* 1859 '

In continuation of my letter of the 5th February last, I have the honor to report that the Collector of Tanjore has since remitted to the Sub-Treasurer 631 whole and 420 half-sovereigns, which have been sold for Rs 8,555, or at a profit of Rs 145, compared with the rate at which they were received Particulars of the sale are herewith subjoined.—

410 whole sovereigns (Eng coinage), at Rs	10 3 0 each,	Rs	4,176	14 0
50 half " " "	5 1 6 "	"	254	11 0
221 whole " (Australian coinage), "	10 2 6 "	"	2,244	8 6
370 half " " "	5 1 3 "	"	1,878	14 0
		Total Rs	8,555	0 0
Deduct invoice value at Rs 10 for the whole and Rs. 5 the half-sovereigns		Rs	8,410	0 0
Difference credited to Profit and Loss		Rs	145	0 0

2 The Collector of Tanjore has more sovereigns, which are expected with the remittance now coming by the "Coromandel" The sovereigns received from the Collector of Tanjore and sold here, up to this date, amounted to 9,026 whole and 968 half-sovereigns, the profit realized thereon, Rs 1,599-4-9, has been placed to the credit of Government

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Order thereon, No. 944, *dated* 15*th July* 1859

Ordered, that the foregoing letter be recorded

(Signed) J D. BOURDILLON,
Secy to Govt.

PROCEEDINGS OF THE MADRAS GOVERNMENT, REVENUE DEPARTMENT, FROM 17TH TO 23RD SEPTEMBER 1859

Read the following letter from G L PRENDERGAST, ESQ, *Acctt Genl, to Chief Secy to Govt of Fort St George*—*No* 210, *dated 9th September* 1859

In continuation of my letter of the 4th July last, No 88, I have the honor to report, for the information of Government, that the Collector of Tanjore has since remitted to the Sub-Treasurer a further supply of 1,344 whole and 897 half-sovereigns, which have been sold for Rs. 18,494-7 10, or at a profit of Rs. 569 10, compared with the rate at which they were received. Particulars of the sale are herewith subjoined —

Sovereigns (English coinage) whole		907			
„ „ half 95 or		47½	954½		
„ (Australian coinage) whole		437			
„ „ half 802 or		401	838		
			1,792½		
at Rs. 10-5 1 each is	Rs.	18 494	7	10	
Invoice value	„	17,925	0	0	
Difference credited to Profit and Loss	Rs	569	7	10	

2 The total number of sovereigns received from the Collector of Tanjore and sold here, up to this date, amounts to 10 370 whole and 1 865 half-sovereigns, and the profit realized thereon is Rs. 2,168 12 7, which sum has been credited to Government.

Order thereon 21*st September* 1859, *No* 1278

Ordered, that the foregoing letter be recorded.

(Signed) J D BOURDILLON,
Secy to Govt

Memorandum by the Board of Revenue

The Board of Revenue have no information before them on which they might form an opinion as to the necessity or expediency of introducing a gold currency No communications have been received from any of the Collectors complaining of inconvenience experienced by the

agricultural or mercantile community in the Mofussil, in consequence of the scarcity of silver; any opinion, therefore, that we may give must necessarily be based upon general views as to the necessities of the country, and not on official reports from the local authorities. No. 5.

2 Agriculture is extending everywhere. There is a great demand for cotton, and indeed for every product of the field. Prices are at the same time exceedingly high The farmers in consequence obtain large sums of money for their produce, and a great proportion of this money is not returned into other channels, but is buried and hoarded, for the people have no means readily available of employing it. This may be one among other causes why the circulating medium (silver) is daily becoming scarcer, and as long as the present state of things continues to exist, it must remain scarce

3. The paper currency does not appear to give the relief required, the difficulty of changing the notes at the District Treasuries being, as it would seem, a check on their free circulation.

4 No doubt gold is in requisition and is finding its way into the interior, for packets of sovereigns are constantly sent up-country, and if a gold currency were introduced, we do not doubt that it would be very acceptable, and be eagerly taken in payment for agricultural produce. The surplus would be hoarded as silver now is, but silver coin would be released from the secret stores, and be replaced by the more convenient metal In those purely agricultural districts where the wants of the simple people are comparatively small, money is accumulating; and there is no sufficient outlet for it in exchange for other things It must then of necessity be hoarded, and gold is a more convenient metal than silver for that purpose, until a demand springs up in the country for foreign goods to an extent that will balance exports and imports, there must be, with the present demand and high prices for agricultural produce, a large surplus of unemployed money in the agricultural districts. Money must still be imported to pay for the produce The hoarded stores must go on increasing, and as silver cannot be imported in sufficient quantities, gold may well be brought on, in the hope that it will help to restore some of the silver to circulation

J. PELLY.
Madras, May 1864 H. A. BREIT.

Mr. Clarke, Member of the Board of Revenue, is not at the Presidency.

APPENDIX No 6

Statement of Remittances received in aid of the Bombay General Treasury, from the 1st May 1862 to the 20th May 1864

From whence.	Date of receipt.	Amount and nature of the Remittances: In Specie.	By sale of Bills at Bombay	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay	Remarks.
	1862	Rs.	Rs	Rs.	Rs.	Rs.	
Calcutta	31st May			5 00 000		3 00 000	
Ditto	6th June			2,00 000			
Ditto	30th „			5 60 000			
Ditto	4th July			1 50,000			
Ditto	7th „			5 50 000		2,00,000	
Ditto	19th „			50,000			
Ditto	21st „		5 00 000				
Ditto	22nd		3 35 000				
Ditto	23rd „		1,25 000				
Ditto	24th		30 000				
Ditto	25th „						
Ditto	29th „		10 000			2,00 000	
Ditto	14th August						
Ditto	15th „					2 00 000	
Madras	16th	2,99 450				1 00,000	Copper coin.

Ditto	5th November	9,40,550		... ..	. .		Copper (1,40,550) and small silver coin (8,00,000)
Calcutta	19th December	.	..	5,00,000		2,00,000	
Ditto	24th "	...	. .		... .	3,00,000	
	1863						
Calcutta	9th January	.	1,20,000				
Ditto	2nd "	...	...			3,00,000	
Ditto	13th "			1,00,000			
Ditto	15th "	...	.. ...	10,00,000			
Ditto	17th "		......	...		7,00,000	
Ditto	19th "	......			...	8,50,000	
Ditto	21st "		.	50,000			
Ditto	17th February				....	5,00,000	
Ditto	24th "	6,00,000	... .		....		Copper coin.
Ditto	26th "	...		1,00,000			
Ditto	2nd March	. .	.	3,30,000			
Ditto	3rd "	...	.	3,00,000			
Ditto	4th "	...		1,00,000			
Ditto	9th "		..	1,00,000			
Ditto	12th "	..	.. ...	2,50,000			
Ditto	18th "	. .	. .	2,00,000			
Ditto	24th "	....	.	...	.	15,00,000	
Ditto	28th "	...	......	1,50,000			
Madras	13th "	...	...	1,15,000			
Ditto	25th "	22,00,000					
Ditto	8th April	..		10,000			
	Carried forward	40,40,000	11,20,000	53,05,000	.....	53,50,000	

No 6

Statement of Remittances received in aid of the Bombay General Treasury,—continued.

From whence.	Date of receipt.	Amount and nature of the Remittances.					Remarks.
		In Specie.	By sale of Bills at Bombay	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay	
		Rs.	Rs.	Rs.	Rs	Rs.	
	Brought forward	40 40,000	11,20 000	53,05 000		53,50 000	
Madras	9th April			30 000			
Ditto	11th ,,			10 000			
Ditto	15th ,,			15 000			
Ditto	17th ,,			25 000			
Ditto	30th ,,			05 000			
	Total	40 40 000	11 20,000	54 80 000		53,50 000	
	1863						
Madras	19th June		1,25 000				
Ditto	20th ,,		5,00 000				
Ditto	23rd ,,		2 50 000				
Ditto	29th ,,		50,000				
Calcutta	1st July					10 00,000	
Ditto	2nd ,,		1 00 000				

Ditto	3rd ”		3,00,000			
Ditto	3rd ”			85,000		
Ditto	4th ”			1,50,000		
Ditto	8th ”			2,10,000		
Madras	31st ”			2,70,000		
Ditto	6th August			50,000		
Ditto	7th ”					
Ditto	10th ”	54,00,000				
Calcutta	27th ”					
Madras	12th September			50,000		
Ditto	2nd ”			1,00,000		
Ditto	4th ”					
Ditto	5th ”			50,000		40,00,000
Ditto	10th ”			20,000		
Ditto	11th ”			2,95,000		
Ditto	2nd October			1,00,000		
Ditto	3rd ”			2,10,000		
Ditto	5th ”			60,000		
Ditto	8th ”			1,45,000		
Ditto	16th ”			50,000		
Ditto	22nd ”			2,00,000		
Ditto	26th ”			1,000		
Ditto	30th ”			6,500		
Ditto	6th November			5,000		
Calcutta	7th ”	4,83,000		4,500		
Ditto	19th December					
	21st ”		8,00,000 2,00,000	4,00,000		
	Carried forward	58,83,000	21,25,000	21,92,000		50,00,000

Statement of Remittances received in aid of the Bombay General Treasury,—continued.

FROM WHENCE.	DATE OF RECEIPT	AMOUNT AND NATURE OF THE REMITTANCES					REMARKS.
		In Specie.	By sale of Bills at Bombay	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay	
		Rs	Rs.	Rs.	Rs.	Rs.	
	Brought forward	68 83 000	21,25 000	24,08 000		50,00 000	
Madras	9th December	1 00 000					
Ditto	10th ,,			3 00 000			Copper coin.
Ditto	11th ,	8 00 000		2,00 000			
Ditto	12th ,	7 00 000					
	1864						
Calcutta	12th January				40 00 000		On account chiefly of a remittance of forty lakhs of silver bullion sent from *Bombay to* Madras for coinage, in reference to an investment in Government Securities at Calcutta, on behalf of the Bombay Currency Department.
Madras	6th ,	5 00 000					
Ditto	7th ,,	[illegible] 00 000					
Ditto	8th ,,	6 00 000					
Ditto	9th ,,	7 00 000					
Ditto	11th ,	10 00 000					
Ditto	12th ,	7 00 000					
Ditto	13th ,,	4 50 000				..	
Ditto	16th ,,	1 50,000					
Ditto	22nd			3,00 000			

Ditto	...	26th "	..	..	5,00,000			
Ditto		28th "			50,000			
Ditto		30th "	1,00,000				. ..	
East Berar		4th "	. .	...	1,00,000			
Calcutta		27th February	...	..		....	6,50,000	Copper coin
Madras	..	1st "	.		5,50,000			
Ditto		4th "			3,00,000			
Ditto		6th "	3,00,000					
Ditto		8th "	6,00,000					
Ditto		9th "	..		2,50,000			
Ditto	..	10th "	3,00,000					
Ditto	.	11th "		. .	2,00,000			
Ditto		15th "	. .	.	1,00,000			
Ditto		23rd "	.	...	1,00,000			
Ditto		27th "	.	.	1,50,000			
East Berar	.	30th March	30,000					
Calcutta	.	12th "	.	2,00,000				
Ditto		25th April	...	...	.. ..	5,00,000		
Madras	..	26th "		.. .	.....	5,00,000		
Ditto		8th "	1,00,000					
Ditto		11th "	5,00,000					
	...	20th "	4,00,000					
			1,46,13,000	23,25,000	55,92,000	50,00,000	56,50,000	
		1864						
Madras		7th May	19,00,000					
Ditto	..	12th " ..	12,00,000					
		Carried forward	31,00,000					

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Statement of Remittances received in aid of the Bombay General Treasury,—continued

FROM WHENCE.	DATE OF RECEIPT.	AMOUNT AND NATURE OF THE REMITTANCES. In Specie.	By sale of Bills at Bombay	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with Investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay	REMARKS.
		Rs.	Rs.	Rs.	Rs.	Rs	
	Brought forward	31 00 000					
Madras	13th May	2 00 000					
Ditto	19th „	10,00,000					
Calcutta	20th „						
Ditto	20th „				40,00 000		In silver bullion.
		43 00 000			40 00,000		
	Total	2 29,53 000	34 45 000	1,10 72,000	90,00,000	1 10 00,000	
Remittances to subordinate Treasuries, Bombay Presidency							
	1862						
N W Provinces	May		1,29 500				
	June		1,30 500				
	July		73,500				
	August		36,500				

	...er			84,500				
	December			1,27,000				
	1863							
	January	...	...	1,78,000		...	...	In aid of the Indore Treasury
	February	...	...	29,000		...	...	
	March	...	...	25,000	...	...	...	
	April	...	...	96,000	...	...	...	
	May	...	...	3,08,000	...	...	...	
	June	...	...	4,62,000	...	...	...	
	July	...	...	4,31,400	...	...	...	
	August	...	...	1,77,300	...	...	...	
	September	...	...	1,32,500	...	...	...	
	October	...	...	3,02,500	...	...	...	
	November	...	...	2,61,300	...	...	...	
	December	...	...	46,000	...	...	...	
	1864							
Hyderabad Assigned Districts	February	...	...	6,000	...	...	...	
	March	...	...	36,000	...	...	...	
	April	...	...	58,000	...	...	...	
Punjab	January	40,000	...	...	...	...	...	In aid of the Kurrachee Treasury
	March	...	...	15,000	...	...	...	
	April	12,00,000	...	35,000	...	...	...	
	April	12,00,000	...	...	...	...	...	
		24,40,000		22,77,000				
	Total	24,40,000		31,95,500				

Statement of Remittances received in aid of the Bombay General Treasury—concluded

From whence	Date of receipt	Amount and nature of the Remittances. In Specie.	By sale of Bills at Bombay	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay	Remarks. Total.	
		ABSTRACT						
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Calcutta	1862-63	6,00,000	11,20,000	51,80 000	—	53,50,000	1 22,50,000	2,79 00 000
Ditto	1863-64		10,00,000	—	50 00 000	56,50,000	1 16 50,000	
Ditto	1864-65	—	—	—	40 00,000		40,00,000	
Madras	1862-63	34 40,000	—	3 00 000	—		37 40 000	2,92,70,000
Ditto	1863-64	1 46 13,000	11,25 000	54,92,000	—		2,12,30,000	
Ditto	1864-65	43 00,000			—		43,00 000	
N W Provinces	1862-63	—	9,18,500	—	—		9 18,500	31 45,500
Ditto	1863-64	—	22,27,000	—	—		22,27 000	
East and West Berar	1863-64	12,45 000	2,50,000	1 00 000	—		16,00,000	16,00,000
Punjab	1863-64	12,00 000		—	—	—	12,00,000	12,00,000
	Total	2,53,98,000	66,40,500	1,10,72,000	90,00,000*	1 10 00 000	6,31 05,500	6,31 05 500

NOTE.—Amount of Secretary of State's bills paid—

In 1862-63	... Rs.	2,11 49,775
In 1863-64	... „	3,58,59 000
	Total, Rs.	5,70 08,775

* Besides this, bullion to the value of forty lakhs of Rupees was withdrawn from the Currency Department at Bombay in further payment for investments made at Calcutta, and was sent to Madras to be minted and remitted to reinforce the Government balance at Bombay These forty lakhs are included in the remittances from Madras in January 1864.—*See page 47*

The 25th May 1864.

S. D BIRCH

Deputy Auditor and Accountant General.

APPENDIX No. 7.

Extract from a Memorandum by Mr. Arbuthnot, *of Her Majesty's Treasury,—dated 20th August* 1858.

Into the West Indies, as into other American Colonies, the British settlers carried with them originally the form of money accounts of the mother-country, but, as the supply of coins for circulation was obtained from the Spanish Provinces, it became necessary to adapt them to the system of account in use, by rating each for currency according to its supposed value expressed in the terms of British money. The errors to which this necessity gave rise, and the causes of them, have been so clearly and accurately described in Mr. Pennington's work on the currency of the British Colonies, that it is unnecessary to enter here into particulars. It is sufficient to observe that in each Colony different rates were assigned to the coins of Spain and South America. Arbitrary valuations were adopted without regard to any principle, and the confusion applied, not only to the silver coins, but to the gold coins in circulation Hence the pound currency represented in no Colony the value of the pound sterling, and in each Colony a different value The confusion arising from local legislation was further complicated by the proceedings of the Home Government In the West Indies the doubloon was generally overvalued relatively to the dollar, and gold became therefore practically the standard of value in those Colonies The Order in Council of 1825, however, referred only to the silver coinage, and declared 4*s* 4*d.* sterling to be equal to the dollar. A higher rate was thus assigned to that coin than its intrinsic contents of precious metal justified, according to the prevailing price of silver relatively to gold; but this was not all, for, as in the West Indies, a silver dollar was deemed to be equal to 1-16th of a doubloon, it was concluded that 4*s* 4*d* was also equal to 1-16th of a doubloon. Hence it followed that not only silver dollars, but also British gold and silver coins (both being undervalued with reference to the doubloon) were practically excluded from the currency of the Islands. No 7

It was the object of the Order in Council and Proclamation of 1838 to reduce this confusion to order by ascertaining and fixing the relative value of foreign coins to sterling money. The gold coins were rated for circulation according to their contents of pure gold as compared with the pure gold in the British sovereign the silver coins were rated on

the same principle but, as the simple comparison of weight and fineness would not apply in the case of money consisting of different metals, the uncertain element was introduced of rating the silver coins for circulation according to an average of the relative value of gold and silver in the European market. Though fluctuations in the price of one as compared with the other, were not unfrequent according to the varying demands arising from the course of exchange between different countries, it was found that, for a long series of years the price of silver of British standard quality, in London had never greatly deviated from 5*s* the ounce and on this basis the Spanish and Mexican dollar was rated for circulation at 50*d*

It is not unworthy of remark that this valuation exhibited a fortunate coincidence of principle and convenience It afforded a simple rule for the conversion of the dollar into the denomination of British money and it equally facilitated the conversion of British money into the decimal system of account founded on the dollar, as the half penny represented the one-hundredth part of that coin.

The measure was followed by Acts of the Legislatures of the several West Indian Colonies for the purpose of adjusting contracts in th local currencies to the new valuation and finally by the general adoption of the system of account of the United Kingdom corresponding in its terms with the coins of the realm These proceedings were attended with perfect success The concurrent use of British with foreign coins at the rates assigned to them was established in the West Indies but it happened that, although previously to 1838 the currency had been based on a gold standard the proclamation of that year led in the first instance to the general use of silver dollars and the circulation was principally maintained by the importation of dollars from the Mexican Mint, until the discoveries of gold in California and Australia led to a new direction of the trade in silver

Mr Pennington, whose agency was employed in the arrangements of 1838, was however, too sagacious to suppose that any measure for the adaptation of coins of different metals for concurrent circulation could be regarded in the light of a permanent settlement. A true standard of value can only be founded on a single metal What is termed a double standard can, at best, be only an alternative standard hanging on an uncertain balance The Proclamation of 1838 assumed gold the

standard of Great Britain, as the basis to which foreign silver coins should be adjusted according to the then existing relative value of the two metals, but it was observed in Mr. Pennington's book on Colonial Currency that "if the market value of gold and silver should permanently vary from the proportion fixed in the Order in Council and Proclamation of 1838, the cheaper metal will practically become the principal measure of value in the Colonies, and all money contracts will be discharged in that cheaper metal." No. 7.

This result ensued so soon as the discoveries of gold in California had a sensible effect on silver. It then became no longer a profitable operation for the Banks to obtain supplies of dollars from the Mexican Mint, and gold coins, or British silver, the representative of a gold currency, took their place The transition occasioned probably some inconvenience to the Banks; but it was effected without disturbing contracts, and without detriment, therefore, to the community at large. British silver, which passes as an unlimited tender in the West Indies, fulfilled an intermediate function throughout, for it continued to circulate as tokens for the fractional parts of the pound sterling, whether that pound was considered to consist of 1,776 grains of fine silver, under the Proclamation of 1838, or of 113 001 grains of fine gold contained in the sovereign.

The currency of the other British Colonies in North America has been regulated on the same principle, but, owing to local circumstances, with some variations of detail It may be observed that, previously to 1838, the proportions assigned by the Mint laws of the United States to the gold and silver coins of that country had rendered the former the cheaper medium of payment. In Canada, foreign silver coins were rated for circulation according to a more strict analysis of the relative value of the two metals, and in consequence there was a tendency to a flow of the silver dollars of the United States from that country, in which they were undervalued, into Canada, where they circulated at their intrinsic value. Some local inconvenience was experienced on the borders of the two countries from this difference in their currency regulations, but if the attempt had been made to reconcile the discrepancy, by assimilating the law of Canada to the Mint law of the United States, the consequence would have been that gold would have become, by a forced operation, the principal medium on which contracts would have been based in Canada. This change has been since effected, in the natural course

8 of events, by the rise in the price of silver, and the result of the whole series of proceedings is, that gold has become the measure of value throughout North America, the various currencies of the British Colonies and the United States being adjusted to that standard. Many persons who confound the denomination of money with its representative in coins, the sign with the substance, continue to regard the dollar as the general coin of the world, but the dollar of Spain and Mexico, which may once have claimed this attribute has been banished to the East

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APPENDIX No 8

Remarks on the importation of Bullion into India with quotations

India has for many years received large amounts of gold from Australia, partly as returns for direct shipments of produce and partly through the influence of the Banks in working exchanges with the Colonies and England

Gold generally finds a ready market in Calcutta. During the past three years sales were only suspended for about a month in December last when our money market was at its lowest state of depression, and when Government Securities were equally unsaleable

In December last, sovereigns of English and Australian coinage were in no case quoted under Rs 10 in Calcutta, and although bar gold standard, was stated at one time to be marketable only at Rs 14 per tolah, I doubt whether any sales were effected at so low a price

I reckon that India imported from Australia in the year 1868 gold to the value of £2 000,000, and from Europe to the value of £991 112, or in round numbers, three millions sterling in all.

As far as can be judged, all this gold has been devoted to purposes of hoarding and the manufacture of ornaments. It is said that on the Bombay side bars of gold stamped with the names of some of the local Banks, the quality and value have obtained some currency as tokens for money, but such a system has not been tried in Bengal although gold similarly marked is imported into Calcutta. The marks alluded to are used to assist sellers, and are much appreciated by the Natives.

The Sydney Mint sells gold bar of standard fineness at a price of £3-17-10½ per ounce, free of export duty. The freight, insurance, &c., on gold from Australia to India is about one and three quarters per cent, or say 1*s*. 4*d* per ounce; Sydney Mint gold, standard, can consequently be laid down in Calcutta at £3-19-2½, or Rs. 39-9-8 per ounce, equal to Rs. 14-13-7½ per tolah. No. 8.

In Melbourne there is a keen competition for gold, which is bought by the Banks in the open market. Recent prices are somewhat above the average, which may be taken at £3-15-6 per ounce standard This gold is subject to an Australian export duty of 1*s* and 6*d* per ounce on the actual weight After allowing for this duty and for freight and insurance, the gold can be laid down in Calcutta at £3-18-1, or Rs. 39-2-8 per ounce, or Rs 14-11 per tolah

The expense of sending gold from England is equal to three per cent. Thus, gold shipped from England at £3-17-10½ per ounce costs the importer in Calcutta £4-0-2½, or Rs 40-1-8 per ounce, or Rs 15-0-7 per tolah

Australian coined gold (sovereigns) can be laid down in Calcutta at Rs 10-2-9 each, and English coined gold at Rs 10-4-10 per sovereign.

The Rupee in the above calculations has been taken as the equivalent of 2*s*

If a gold currency were to be introduced in India, and the Calcutta Mint purchasing price was fixed at the same figure as that of the Bank of England, £3-17-9, or Rs 38-14-0 per ounce, or Rs 14-9-3 per tolah, an importer from Australia would obtain his coin at a cost of 2*s*. 0$\frac{7}{16}$*d* per rupee from Sydney, and 2*s* 0$\frac{3}{16}$*d* per rupee from Melbourne, whilst an importer from England would obtain his rupee at a cost of 2*s* 0¾*d*

The importers of coin, if the sovereign were accepted in India as a legal tender for Rs 10, would obtain their rupee at 2*s* 0¾*d* from London, and at 2*s*. 0$\frac{7}{16}$*d* from Australia

The cost of sending gold from Australia to England is the same as to India, one per cent freight, and ¾ per cent insurance and other charges Most of the gold sent to England is despatched viâ the Cape in clippers. These clippers are, as an average, 75 to 80 days on the passage. As gold can be realized at once in England, it is reasonable to assume that gold bar can be converted into coin in London 80 days from the date of shipment in Australia.

8. Gold shipped to India by the Peninsular and Oriental Steamers is 38 days in transit, and when the gold is sold, a prompt (or time for taking delivery) of 10 up to 30 days has to be allowed; consequently gold sent to India is not realized till fully 60 days after shipment in Australia.

But most of, if not all, the gold received in India from Australia is for sale and remittance to London. These remittances are made in Bills of Exchange at usance, or six months' sight. Taking, therefore, the time occupied in despatching the gold to India, the sale and the remittance of the proceeds, including the "Post" and usance of the Bills, Australian gold sent through India is not turned into coin in London, until 275 days after its despatch or shipment in Australia.

The loss of time in realizing gold in London, when sent through India, in comparison with direct shipments, is about six and a half months. At a rate of interest at 6 per cent. per annum, this loss is equal to 2*s* 6*d* per ounce. The operators in exchanges generally cover this loss by the rate at which they convert the rupee into sterling by the purchase of Bills on England.

The following Table will show the results of gold sent to India from Australia for remittance of proceeds to England at various rates of exchange, as compared with direct shipments from Australia to England, the cost of the shipment being identical.

The selling price of the gold in Calcutta is taken at Rs. 38-14-0, (or Rs 14 0-3 per tolah) the equivalent at 2*s* per rupee of £3-17 9 the Bank of England buying price, at which the sale in England is also supposed to be made —

Rate of Exchange.	Equivalent.	Interest 6½ months, at 6 per cent. per annum.	Net.	Loss on Indian Shipment.	Profit on Indian Shipment.
£ *s* *d*.	£ *s* *d*.	£ *s*. *d*.	£ *s* *d*.	£ *s*. *d*.	£ *s*. *d*
2 0	3 17 9	0 2 6	3 15 3	0 2 6	— —
2 0¼	3 18 6½	0 2 6	3 16 0½	0 1 8½	—
2 0½	3 19 4¼	0 2 0	3 16 10¼	0 0 10¾	—
2 0¾	4 0 2	0 2 6	3 17 8	0 0 1	
2 1	4 0 11¾	0 2 6	3 18 5¾	—	0 8¾
2 1¼	4 1 9½	0 2 6	3 19 3½	—	1 6½
2 1½	4 2 7¼	0 2 6	4 0 1¼	—	2 4¼
2 1¾	4 3 5	0 2 6	4 0 11	—	3 2
2 2	4 4 2¾	0 2 6	4 1 8¾	—	3 11¾
2 2¼	4 5 0½	0 2 6	4 2 6½	— —	4 0½
2 2½	4 5 10	0 2 6	4 3 4	—	5 7

The price at which the gold is taken, as sold in Calcutta, will be found to be under the average when compared with quotations for the last few years. No 8

The amount of gold imported into India from China is inconsiderable, and there is no chance of any large supplies being obtained from thence.

In the present state of Indian currency, the following Table may be interesting, it gives the out-turn of bar silver, standard, purchased in London, and sent for coinage to the Calcutta Mint.

The charges, such as freight, insurance, brokerage, &c., are computed at 3¼ per cent, and the Mint seignorage is duly considered

Cost in London,	4	10¾	per ounce, gives the Rupee at a cost of	23 0*d*.
	4	11	... .	23 1
	4	11¼	... ...	23 2
	4	11½	...	23·3
	4	11¾	... ...	23 4
	5	0	...	23 5
	5	0¼	... ...	23 6
	5	0½	... ...	23 7
	5	0¾	... ...	23 8
Cost in London,	5	1	per ounce, gives the rupee at a cost of	23 9
	5	1¼	..	24 0
	5	1½	...	24 1
	5	1¾	... .	24 2
	5	2	... .	24 3
	5	2¼	...	24 4
	5	2½	...	24 5
	5	2¾	.. ...	24 6
	5	3	...	24 7

and for each additional farthing in the price of bar silver, $\frac{1}{10}$th of a penny should be added to the cost as given.

Calcutta is taken as the place of import.

During the greater part of last year, the Council Bills on India sold on the Fort William Treasury at 1-11½ to 2*s*. per rupee This rate may be fairly taken as the equivalent of the price at which there would be a special demand for bar silver for Calcutta, apart from other places, and represents 5*s*. to 5*s*. 1¼*d*. per ounce

No 8. Gold shipped to India by the Peninsular and Oriental Steamers is 38 days in transit, and when the gold is sold, a prompt (or time for taking delivery) of 10 up to 30 days has to be allowed; consequently gold sent to India is not realized till fully 60 days after shipment in Australia.

But most of, if not all, the gold received in India from Australia is for sale and remittance to London These remittances are made in Bills of Exchange at usance, or six months' sight. Taking, therefore, the time occupied in despatching the gold to India, the sale and the remittance of the proceeds, including the "Post" and usance of the Bills, Australian gold sent through India is not turned into coin in London, until 275 days after its despatch or shipment in Australia.

The loss of time in realizing gold in London, when sent through India, in comparison with direct shipments, is about six and a half months At a rate of interest at 6 per cent. per annum this loss is equal to 2s 6d per ounce The operators in exchanges generally cover this loss by the rate at which they convert the rupee into sterling by the purchase of Bills on England.

The following Table will show the results of gold sent to India from Australia for remittance of proceeds to England at various rates of exchange as compared with direct shipments from Australia to England the cost of the shipment being identical.

The selling price of the gold in Calcutta is taken at Rs. 38 14-0, (or Rs 14 9-3 per tolah,) the equivalent at 2s per rupee of £3-17 9 the Bank of England buying price, at which the sale in England is also supposed to be made —

Rate of Exchange.			Equivalent.			Interest 6½ months, at 6 per cent. per annum.			Net.			Loss on Indian Shipment.			Profit on Indian Shipment.		
£	s.	d.	£	s	d.	£	s.	d.	£	s	d.	£	s.	d.	£	s.	d.
	2	0	3	17	9	0	2	6	3	15	3	0	2	0	..	..	
	2	0¼	3	18	6¾	0	2	6	3	16	0¾	0	1	8¼	..		
	2	0½	3	19	4½	0	2	6	3	16	10½	0	0	10		..	
	2	0¾	4	0	2	0	2	6	3	17	8	0	0	1	..		
	2	1	4	0	11½	0	2	6	3	18	5¼		..			0	8½
	2	1¼	4	1	9¼	0	2	6	3	19	3¼		..			1	6¼
	2	1½	4	2	7½	0	2	6	4	0	1½		..			2	4½
	2	1¾	4	3	5	0	2	6	4	0	11					3	2
	2	2	4	4	2¾	0	2	6	4	1	8¾	..	..			3	11¾
	2	2¼	4	5	0½	0	2	6	4	2	6½		..			4	9½
	2	2½	4	5	10	0	2	6	4	3	4		..			5	7

The price at which the gold is taken, as sold in Calcutta, will be No 8. found to be under the average when compared with quotations for the last few years.

The amount of gold imported into India from China is inconsiderable, and there is no chance of any large supplies being obtained from thence.

In the present state of Indian currency, the following Table may be interesting, it gives the out-turn of bar silver, standard, purchased in London, and sent for coinage to the Calcutta Mint.

The charges, such as freight, insurance, brokerage, &c., are computed at 3¼ per cent., and the Mint seignorage is duly considered

Cost in London,	4 10¾	per ounce, gives the Rupee at a cost of	23 0*d*.
	4 11	...	23 1
	4 11¼	...	23·2
	4 11½	...	23·3
	4 11¾	...	23 4
	5 0	...	23·5
	5 0¼	...	23 6
	5 0½	...	23 7
	5 0¾	...	23 8
Cost in London,	5 1	per ounce, gives the rupee at a cost of	23 9
	5 1¼	...	24 0
	5 1½	...	24 1
	5 1¾	...	24 2
	5 2	...	24 3
	5 2¼	...	24 4
	5 2½	...	24 5
	5 2¾	...	24 6
	5 3	...	24 7

and for each additional farthing in the price of bar silver, $\frac{1}{10}$th of a penny should be added to the cost as given.

Calcutta is taken as the place of import.

During the greater part of last year, the Council Bills on India sold on the Fort William Treasury at 1-11½ to 2*s*. per rupee. This rate may be fairly taken as the equivalent of the price at which there would be a special demand for bar silver for Calcutta, apart from other places, and represents 5*s* to 5*s* 1¼*d* per ounce

Quotations for Australian Gold,—continued.

	22 Carat Bar.		24 Carat Bar.		Sovereigns
	Per tolah	Per ounce.	Per tolah.	Per ounce	
7th November 1859	14 12 0	30 5 4	10 1 5	42 14 5¼	10 6 0
21st „ „	14 8 0	38 10 8	15 13 1	42 2 10¾	10 5 0
7th December „	14 8 0	38 10 8	15 11 1	42 2 10¾	10 3 0
21st „ ,	14 8 0	38 10 8	15 13 1	42 2 10¾	10 3 0
6th January 1860	14 8 0	38 10 8	15 13 1	42 2 10¾	10 3 6
21st „ „	14 8 0	38 10 8	15 13 1	42 2 10¾	10 3 0
7th February „	14 8 0	38 10 8	15 13 1	42 2 10¾	10 4 0
21st , ,	14 4 0	38 0 0	15 9 3	41 0 0	10 2 0
7th March „	14 4 0	38 0 0	1o 8 3	41 6 0	10 0 0
21st , ,	14 8 0	38 10 8	15 13 1	42 2 10¾	10 3 0
5th April ,	15 0 0	40 0 0	16 5 9	43 10 0	10 1 0
20th ,	15 0 0	40 0 0	16 6 0	43 10 0	10 4 0
2nd May „	15 8 0	41 5 4	10 14 6	45 1 4	10 6 0
17th „ „	15 0 0	40 0 0	10 o 9	43 10 0	10 0 0
1st June ,	15 8 0	41 5 4	16 14 0	45 1 4	10 4 0
16th „ „	15 12 0	42 0 0	17 2 10	45 12 10¾	10 4 0
3rd July ,	15 8 0	41 5 4	16 14 0	45 1 4	10 5 0
18th „	15 8 0	41 5 4	10 14 6	45 1 4	10 4 0
7th August	15 8 0	41 5 4	16 14 6	45 1 4	10 4 0
21st ,	1o 8 0	41 5 4	16 14 6	45 1 4	10 5 0

21st September „	15	8	0	41	5	4	16	14	6	45	1	4	10	5	0
6th October „	15	8	0	41	5	4	16	14	6	45	1	4	10	6	0
17th „ „	15	4	0	40	10	8	16	10	2	44	3	$1\frac{1}{3}$	10	7	0
7th November „	15	0	2	40	1	0	16	6	0	43	10	8	10	7	0
20th „ „	14	12	6	39	6	8	16	2	0	43	0	0	10	6	0
7th December „	14	10	8	39	1	$9\frac{1}{3}$	16	0	0	42	10	8	10	5	6
21st „ „	14	10	8	39	1	$9\frac{1}{3}$	16	0	0	42	10	8	10	4	0
„ „	14	10	8	39	1	$9\frac{1}{3}$	16	0	0	42	10	8	10	4	0
7th January 1861	14	8	10	38	12	$10\frac{2}{3}$	15	14	0	42	5	4	10	4	0
21st „ „	14	13	5	39	9	$1\frac{1}{3}$	16	3	0	43	2	8	10	4	0
7th February „	14	13	10	39	10	$2\frac{2}{3}$	16	3	6	43	4	0	10	6	0
21st „ „	15	2	5	40	6	$5\frac{1}{3}$	16	8	6	44	1	4	10	5	6
7th March „	14	15	3	39	14	0	16	5	0	43	8	0	10	6	0
21st „ „	14	14	4	39	11	$6\frac{2}{3}$	16	4	0	43	5	4	10	6	0
9th April „	14	10	8	39	1	$9\frac{1}{3}$	16	0	0	42	10	8	10	6	0
20th „ „	14	12	6	39	6	8	16	2	0	43	0	0	10	5	6
7th May „	14	12	6	39	6	8	16	2	0	43	0	0	10	5	6
21st „ „	14	12	6	39	6	8	16	2	0	43	0	0	10	2	0
7th June „	14	8	10	38	12	$10\frac{2}{3}$	15	14	0	42	5	4	10	2	0
21st „ „	14	7	0	38	8	0	15	12	0	42	0	0	10	2	0
6th July „	14	7	0	38	8	0	15	12	0	42	0	0	9	15	0
20th „ „	14	8	10	38	12	$10\frac{2}{3}$	15	14	0	42	5	4	10	0	0
7th August „	14	7	11	38	10	$5\frac{1}{3}$	15	13	0	42	2	8	10	1	6
21st „ „	14	12	6	39	6	8	16	2	0	43	0	0	10	3	0
7th September „	14	14	4	39	11	$6\frac{2}{3}$	16	4	0	43	5	4	10	3	0
21st „ „	14	9	9	38	15	4	15	15	0	42	8	0	10	3	6
7th October „	14	9	9	38	15	4	15	15	0	42	8	0	10	3	0
„ „	Doorga Poojah Holidays														

Quotations for Australian Gold—continued

	22 Carat Bar.		24 Carat Bar.		Sovereigns
	Per tolah.	Per ounce.	Per tolah	Per ounce.	
7th November 1861	14 12 6	39 6 8	16 2 0	43 0 0	10 3 0
21st " "	14 12 11	39 7 9⅓	10 2 0	43 1 4	10 3 0
7th December "	14 18 5	39 9 1⅓	10 3 0	43 2 8	10 4 6
21st " "	14 13 5	39 0 1⅓	16 3 0	43 2 8	10 3 0
8th January 1862	14 13 5	39 9 1⅓	16 3 0	43 2 8	10 4 0
21st " "	14 13 5	39 9 1⅓	16 3 0	43 2 8	10 4 6
7th February "	14 15 3	39 14 0	16 3 0	43 8 0	10 4 6
21st " "	14 13 5	39 9 1⅓	16 5 0	43 2 8	10 5 6
7th March "	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
21st " "	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
7th April "	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
21st "	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
7th May "	14 12 6	39 6 8	16 2 0	43 0 0	10 3 0
21st " "	14 11 7	39 4 2⅔	16 1 0	42 13 4	10 1 6
6th June "	14 11 7	39 4 2⅔	16 1 0	42 13 4	10 2 0
20th "	14 12 6	39 6 8	16 2 0	43 0 0	10 2 6
7th July "	14 12 6	39 6 8	16 2 0	43 0 0	10 2 6
21st "	14 11 7	39 4 2⅔	16 1 0	42 13 4	10 2 0
7th August "	14 9 9	38 15 4	15 15 0	42 8 0	10 3 0
21st " "	14 10 8	39 1 9⅓	16 0 0	42 10 8	10 1 6

No 8

6th September „	14	9	9	38	15	4	15	15	0	42	8	0	10	2	6
20th „ „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	5	0
		Doorga		Poojah		Holidays									
8th October „	14	10	8	39	1	$9\frac{1}{3}$	16	0	0	42	10	8	10	5	0
21st „ „	14	12	6	39	6	8	16	2	0	43	0	0	10	4	0
7th November „	14	11	4	39	3	$6\frac{2}{3}$	16	1	6	42	14	8	10	3	6
21st „ „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
6th December „	14	12	11	39	7	$9\frac{1}{3}$	16	2	6	43	1	4	10	2	0
21st „ „															
1st January 1863	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
21st „ „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
7th February „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
21st „ „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
7th March „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
21st „ „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
7th April „	14	11	7	39	4	$2\frac{2}{3}$	16	1	1	42	13	$6\frac{2}{3}$	10	2	6
21st „ „	14	12	6	89	6	8	16	2	0	43	0	0	10	2	6
7th May „	14	12	6	39	6	8	16	2	0	43	0	0	10	4	0
21st „ „	15	2	5	40	6	$5\frac{1}{3}$	16	8	6	44	1	4	10	5	6
6th June „	15	2	5	40	6	$5\frac{1}{3}$	16	8	0	44	0	0	10	5	0
20th „ „	15	1	1	40	2	$10\frac{2}{3}$	16	7	0	43	13	4	10	4	0
7th July „	14	12	11	39	7	$9\frac{1}{3}$	16	2	0	43	0	0	10	2	0
21st „ „	14	11	7	39	4	$2\frac{2}{3}$	16	1	0	42	13	4	10	3	6
7th August „	14	10	8	39	1	$9\frac{1}{3}$	16	0	0	42	10	8	10	3	6
21st „ „	14	12	11	39	7	$9\frac{1}{3}$	16	2	6	43	1	4	10	3	0
7th September „	14	13	10	39	10	$2\frac{2}{3}$	16	3	6	43	4	0	10	3	3
21st „ „	14	13	10	39	10	$2\frac{2}{3}$	16	3	6	43	4	0	10	2	6
7th October „	14	14	4	39	11	$6\frac{2}{3}$	16	4	0	43	5	4	10	4	0
21st „ „		Doorga		Poojah		Holidays									

8

Quotations for Australian Gold,—concluded.

	22 Carat Bar.		24 Carat Bar.		Sovereigns
	Per tolah	Perounce.	Per tolah	Per ounce.	
6th November 1863	14 14 0	30 12 8	10 4 6	13 6 8	10 5 0
21st " "	14 14 0	30 10 8	16 4 0	43 5 4	10 5 0
8th December "	14 7 0	39 8 0	15 12 0	42 0 0	10 1 0
22nd " "	14 6 1	38 5 6¾	15 11 0	41 13 4	10 1 0
8th January 1864	14 2 1	37 10 10¾	15 7 0	41 2 8	10 1 0
22nd "	14 7 0	38 8 0	15 12 0	42 0 0	10 1 0
8th February "	14 10 8	30 1 0¼	16 0 0	42 10 8	10 1 6
22nd " "	14 12 6	39 6 8	10 2 0	43 0 0	10 1 0
8th March "	14 11 7	30 4 2¾	10 1 0	42 13 4	10 1 9
22nd " "	14 11 7	39 4 2¾	16 1 0	42 13 4	10 1 6
8th April "	14 12 11	30 7 9¼	10 2 0	43 1 4	10 1 0
22nd " "	14 12 11	30 7 0¼	10 2 6	43 1 4	10 1 3
8th May "	14 11 7	39 4 2¾	10 1 0	42 13 4	10 2 0
22nd "	14 9 9	38 15 4	15 15 0	42 8 0	10 1 3
8th June	14 9 9	38 15 4	15 15 0	42 8 0	10 1 0

APPENDIX No. 9

From the HON'BLE CLAUD BROWN, *to the* HON'BLE SIR C. E TREVELYAN, *dated Calcutta, 28th May* 1864

When you last did me the favor to speak with me on the important question of the establishment of a gold currency for this country, you asked me to write you anything that might occur to me on the subject No 9.

I now do so, more in order that I should not seem to neglect your request than with the expectation that my remarks can prove of value, for though I have given the matter some consideration, I have never got beyond the primary obstacle to what I understand as your scheme I believe the arrangement which you are desirous of carrying out, and which is understood to have the support of Her Majesty's Secretary of State for India, is the simple but complete one of making the English (and Australian) sovereign a legal tender for Rs 10 throughout India, leaving the silver coinage as it is for the present, pending the time when the general adoption of gold as the medium for all large payments will justify the reduction of silver to the subsidiary position in the currency which it occupies in the mother country

That under such an arrangement, sovereigns would be readily and rapidly received into general circulation, I have little doubt, but the first and most essential condition is that some one must provide the sovereigns, and my difficulty is that I do not think it can be done at the price

We may fairly assume that the average selling price of gold, over a series of years in this market, is an index to the rate at which—with reference to the state of the exchanges—it can profitably be laid down here, and that if the prices ruling afforded anything more than a moderate profit, the effect would be seen in a great addition to the supply, and a general reduction of value to a level, corresponding with that ruling in the other markets of the world

I have taken the average of our own sales of Australian gold in the years 1861 and 1863, and find it to be Rs 14-14-3 per sicca mohur of 22 carat fine If we include the first four months of this year, during which the value was exceptionally affected by the monetary crisis, the average is reduced to Rs 14-13-9½ on total sales of Rs 17,02,708

8 To check this result, I have taken the average of the quotations during the three years from our monthly circular, and find it to be Rs. 14 13-4, so that I think we may fairly conclude that the value of gold of standard quality has, during the past three years, been as nearly as may be, Rs. 14-14 per sicca mohur

At this price the 5 dwts. 3½ grs which an English sovereign contains, will be worth Rs 10 2 11, and when to this is added seignorage at the rate of 1 per cent., the cost of the coin will be Rs 10-4-6

It would be too much to say that we may not have such a reduction in the value of gold as would enable the sovereign to be supplied at a cost of Rs 10; but for my own part I do not see any valid ground for expecting such a change, especially when due allowance is made for the effect which the adoption of gold as a circulating medium in India, must have in checking any tendency that might otherwise have existed to a decline in the value of the metal.

Periods of temporary decline may no doubt occur as at this moment when 22 carat fine is not worth more than Rs. 14-10-6 to Rs. 14-11 but it would not be safe to argue from these

Should the final result of your investigation of the contents of the "Gold Box" of which you told us, lead you to the conclusion that we cannot obtain English sovereigns for Rs 10 I cannot but fear that the fact must prove fatal to the completeness of the system you were desirous of introducing though it will not I hope prevent your arriving at the desired end in a certain degree. The *main* object, after all is the provision of a gold currency for India and though there would be *very* great advantage in doing this by means of a coin which circulates throughout all parts of Her Majesty's dominions still there is much good to be had out of even a less complete scheme.

Without having had any opportunity of considering the arguments which may no doubt be advanced *against such a course, it occurs to me* that the best alternative would be to coin an *Indian* sovereign identical in fineness with the English coin *but inferior in weight by so much as* would admit of its being turned out at a cost of Rs 10

APPENDIX No 10.

MEMO,—*By* MR PENNEFATHER, *Auditor General of Ceylon, on the Currency of that Island.*

The currency of Ceylon is regulated as follows — No 10

1*st*—The Regulation No VIII of 1825 directs accounts to be kept in pounds, shillings, and pence, and declares that "British silver coin, whereof sixty-six "shillings go to one Pound Troy of standard silver, should be received as "the lawful coin of the Island," and that such British silver coin should "be a legal and full tender in every matter of account or debt"

Ceylon Ordinances, vol i, p 323

2*nd*—The Governor's Minute of September 26th, 1836, orders the rupee to be taken at two shillings, and its fractional parts at corresponding values

3*rd*—The Ordinance of 1857, No 5, "The coining prevention Ordinance," enacts (Clause 5) that for the purposes of the Ordinance—

Ceylon Ordinances, vol iii, p 9, year 1857

"The Company's Rupee,
The Company's Half-Rupee,
The Company's Quarter-Rupee,

shall be deemed to be silver coins lawfully current in this Colony"

4*th*—The Governor's Minute of October 18th, 1851, publishes the decision of the Secretary of State for the Colonies that—

"A local Ordinance is not necessary to give legal currency within "the Island to the gold coins of this realm, which, as being issued from "Her Majesty's Mint, under Her Royal authority, are a legal discharge "for the sums they represent throughout Her Majesty's dominions"

5*th*.—The Royal Proclamation of October 22nd, 1856, promulgated here on July 15th, 1857, ordered Australian sovereigns and half-sovereigns to "be current and lawful money within our Colonies of Ceylon, Mauritius, and Hong-Kong, and that they should pass and be received as current and lawful money therein by the names aforesaid, and at the values hereinbefore assigned to them."

10 It follows, then, that sovereigns, whether British or Australian, are a legal tender for twenty shillings each in Ceylon and as the rupee passes by the Governor's order, for two shillings, it would seem that the sovereign is a recognized tender for Rs 10 It is a *legal* tender for this sum to this extent, that a public servant is bound, by the Minute of September 26th, 1836, to take indifferently Rs. 10 or a sovereign for twenty shillings, in satisfaction of revenue debts. It may be doubtful whether, as the Ordinance of 1857, No 5, only makes it penal to counterfeit a rupee, and does not specify any value for the coin as part of the currency, the rupee is a legal tender at all among the general public, but it is received without hesitation for any amount at a value of two shillings There is no limit here beyond which silver ceases to be a legal tender

In practice the difficulty would be to get any one to tender a sovereign for so little as Rs. 10, gold being almost always at a premium On one occasion however one of the Banks, having a large stock of gold issued a considerable quantity at par It was taken eagerly and nearly one-half of the notes of the Bank in circulation were returned into its hands Subsequently, there was some dissatisfaction in the interior owing to the scarcity of change, the Bank, on issuing gold having ceased to issue silver This, however, was a minor point speedily rectified.

The enclosed paper shows the extreme valuations for sovereigns *given by one of the local Banks during the years 1862 and 1863*

The rupee and the British currency circulate, side by side through out Ceylon, but by far the greater portion of the silver in the island is of the Indian coinage If anything, the rupee is taken in preference to English silver

This is due to three causes, mainly—

1st—Its greater metallic value than its British correspondent, the florin The latter weighs 174 6 grains, containing 152 8 grains of silver the former, 180 grains, of which 165 are silver A similar remark applies to the fractional parts of the respective coins.

2nd—The quantity of depreciated English silver, which some years ago was imported into Ceylon, and which was refused at the

Kutcheries. The great majority of these depreciated coins have now No 10 been absorbed. They are very rarely met with.

3rdly and principally.—As Indian currency, the rupee is sought by the Malabar coolies returning to the Coast. Hence it is always in demand in the planting districts.

Prices of Sovereigns ruling in Colombo during 1862 *and* 1863

1862.	*Australians.*				*British.*				
January	£	1	10	0 ...	£	2	10	0	premium.
February	„	1	1	0 ..	„	0	0	0	„
March	„	0	15	0 ...	„	0	0	0	„
April	„	0	17	6	„	0	0	0	„
May ...	„	0	15	0 .	„	0	0	0	„
June ..	„	0	15	0 .	„	2	7	6	„
July	„	0	12	6 ...	„	0	0	0	„
August	„	0	11	3 ..	„	0	0	0	„
September	„	0	11	3 ...	„	0	0	0	„
October ...	„	1	0	0	„	2	5	0	„
November	„	1	0	0 ..	„	2	7	6	„
December	„	0	17	6 .	„	0	0	0	„
1863.									
January . .	„	0	15	0 ..	„	0	0	0	„
February	„	0	5	0 .	„	2	10	0	„
March	„	0	7	6	„	0	0	0	„
April	„	0	7	6	„	2	5	0	„
May	„	0	7	6 ...	„	0	0	0	„
June	„	0	7	6	„	2	5	0	„
July	„	0	7	6	„	1	15	0	„
August .	„	0	2	6	„	1	15	0	„
September	„	0	2	6	„	1	10	0	„
October .. .	„	0	3	0 ...	„	1	10	0	„
November	„	0	10	0 ...	„	0	0	0	„
December	„	0	10	0 ...	„	2	0	0	„

These are extreme valuations, as the Bank accommodated, to enable the purchasers to transact.

Letter from MR MOIR, *Acting Manager of the Oriental Bank, to* MAJOR GENERAL O BRIEN, *Governor of Ceylon,—dated Colombo 7th June* 1864

I find among other papers, which Mr Duff's sudden departure prevented him from attending to, your note, enclosing copy of a letter to you from Sir Charles Trevelyan, asking for information on the subject of the monetary arrangements in this Colony under which the English and Australian sovereign circulate here as twenty shillings

The question now at issue in India is the introduction of the sovereign as ten rupees here that process was greatly facilitated by an old proclamation of the Ceylon Government, issued many years ago, by which the Indian rupee was declared equivalent, in all money transactions, to two shillings of English currency, both being made legal tenders in the Colony

In point of fact the value of the two coins is by no means identical the Indian rupee containing 180 grains of silver, while the English florin has only $174\frac{6}{11}$ (the shillings $87\frac{3}{11}$) grains

No practical inconvenience, however appears to have attended the operation of this proclamation and English and Indian coins have since circulated side by side in Ceylon with little or no apparent preference for the one over the other

The assimilation of the two coinages having thus become almost complete, the subsequent adoption of the English (and Colonial) sovereign into legalised circulation here became, in time, almost a necessary consequence.

A double standard of currency (gold and silver) is thus in use in this Colony, neither being subsidiary to the other inasmuch as the amount of silver which may be tendered in payment of a debt is not limited, (as in England,) and notwithstanding the objections which have been urged against this system in theory, I believe that no practical inconvenience has been found to result from it On the contrary Ceylon owes to its double standard its comparative immunity from the severe monetary crisis through which India has recently passed.

I may add that sovereigns generally (though not always) command a small premium here.

R T PENNEFATHER

Auditor General

Resolution by the Government of India, Financial Department,—No. 1325, *dated Simla,* 12*th July* 1864

Read the following papers on the subject of a gold currency for India —

Letter from the Secretary to the Bengal Chamber of Commerce of 19th February 1864, forwarding copy of a Resolution passed at a General Meeting of the Chamber on the 17th idem

Reply to ditto, No 1124 of 29th idem, stating that the subject above referred to was under consideration

Memorial from the Bombay Association of the 19th idem

Reply to ditto, No 1123 of 29th idem

Letter from the Government of Bombay, No 252 of 7th March 1864, forwarding a Memorial, together with copies of the Minutes recorded by the Members of that Government, on the above subject

Reply to ditto, No 1516 of 18th idem

Memorial from the Madras Chamber of Commerce of the 30th of April 1864

Reply to ditto, No 474 of the 28th of May 1864

Letters from the Government of Bombay, Nos 288, 308, and 520 of 16th and 19th March and 11th May 1864 respectively

Read also a Minute by the Hon'ble Sir C. E. Trevelyan, K C B, dated 30th June 1864, proposing to introduce a gold currency into India by declaring sovereigns and half-sovereigns, according to the British and Australian standard, to be a legal tender in India at the rate of one sovereign for ten rupees, and recommending a modification of Act XIX of 1861, whereby Currency Notes would be exchangeable for coin only, instead of for coin and bullion, as permitted by Section 9 of that Act

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RESOLUTION —The Governor General in Council directs that Sir C Trevelyan's Minute be published for general information in a *Gazette of India, Extraordinary,* to be issued at Calcutta, with an intimation that a despatch will be addressed to the Right Hon'ble the Secretary of State for India in support of the recommendations contained therein, and that, in the event of his approval, it is proposed to give legislative effect to those recommendations.

By order,

E H LUSHINGTON,

Secy to the Govt. of India, Finl. Dept.

Financial Despatch from the Govt of India, to the Right Hon'ble the Secy of State for India,—No 80, *dated Simla, the* 14*th July* 1864

According to the intention already expressed by us, we have the honor to address you on the subject of a gold currency for India

2 The accompanying Minute by Sir Charles Trevelyan and its appendices contain, we believe a full exposition of the question.

3 We concur in the two main proposals contained in that Minute, viz., that sovereigns and half sovereigns, according to the British and Australian standard, coined at any properly authorised Royal Mint in England, Australia, or India, should be made legal tender throughout the British dominions in India, at the rate of one sovereign for ten rupees, and that the Government Currency Notes should be exchangeable either for rupees or for sovereigns at the rate of one sovereign for ten rupees, but that they should not be exchangeable for bullion.

4 We are also of opinion that, in order to mitigate the evils to be expected from a recurrence of the late commercial crisis, it is necessary that there should be no delay in the adoption of these measures.

5 If therefore they have your approbation, we propose to give immediate legislative effect to them.

6 In the event of your approving of the adoption of the sovereign and half sovereign as legal tender in India, we request that you will without waiting for indents from this country, cause to be sent to the Mints of Calcutta, Madras, and Bombay such matrices and dies, and drawing, adjusting or other machinery as may be necessary to secure the coining of sovereigns and half sovereigns in exact conformity with the coinage of the London and Sydney Mints except that there should be a minute Mint Mark (say C M and B for the respective Mints of Calcutta Madras, and Bombay) distinguishable only by practised persons with the help of a magnifying glass.

From R. Simson, Esq., *Secy. to the Govt. of the N. W. Provinces, to Secy. to Govt. of India, Finl. Dept.,—No. 551 a, dated 25th August* 1861.

I am directed to forward for the consideration of His Excellency the Viceroy and Governor General in Council, the accompanying copies of a letter No. 531, dated the 4th instant, with its enclosure, from the Officiating Secretary to the Sudder Board of Revenue, on the introduction of a gold currency into this country, together with a Minute recorded by His Honor the Lieutenant Governor on the subject.

Copy, with copy of His Honor's Minute, forwarded to the Secretary to the Sudder Board of Revenue, North-Western Provinces, for the information of the Board.

From W. C. Plowden, Esq., *Offg. Secy. to the Sudder Board of Revenue, to Secy. to the Govt. of the N. W. Provinces,—No. 531, dated 4th August* 1861.

I am directed by the Sudder Board of Revenue to submit, for the consideration and orders of His Honor the Lieutenant Governor, copy of a Minute recorded by the Senior Member, on the introduction of a gold currency into this country.

2. Mr. Money admits without reserve the theoretical correctness of Mr. Muir's arguments, but is sensible of the difficulties that would attend their practical application.

3. Including the existing permanent settlements, about two-fifths of the revenue of India may be eventually assessed in perpetuity, and if a gold be substituted for a silver standard, and the value of gold fall, the loss on the permanent revenue will be in the exact proportion of the diminished difference between the values of gold and silver.

4. The annual production of silver being about 10 millions, whilst that of gold is about 25 millions, an eventual fall in the value of gold appears to be *primâ facie* inevitable. It is, however, argued from the experience of the last sixteen years that the value of gold will be permanently maintained. It has displaced silver in France, and much may yet

be absorbed in Eastern Europe; but the question of most importance appears to the Junior Member to be, whether there must not be a limit to the power of India to absorb the precious metals

5 He is of opinion that, *however remote the period may be, that* limit must be eventually reached. To assume the contrary would, he considers, be nearly tantamount to assuming that the civilization of this country will remain stationary If the last named position could be safely maintained it would follow that the absorbing demand for gold would be perpetual but the advance of civilization must necessarily create an increased demand for foreign products, and the silver currency having been displaced by gold, the demand for gold would decrease very nearly in the ratio of the increase of the imports. Gold would still be hoarded, and an annual supply would continue to be required to supply the place of the amount withdrawn from circulation, and there would be a permanent, though limited, demand for the metal as an article of luxury, but the excessive importation would cease on the establishment of an equality between the imports and exports. A continuous increase of the circulation *of paper may moreover be reasonably expected* and *the demand* for gold will be thereby proportionally diminished.

6 The increase of import customs revenue would probably more than compensate for any loss on the land revenue that might be due to the decreased value of gold but, assuming the land revenue assessment to have been originally fair the payers thereof would in the contemplated event, benefit at the expense of the remainder of the community, who would be required to contribute more than their fair share of the burdens of the State.

7 The enactment of a legal provision for the exclusive protection of the rights of Government in its capacity of creditor would be invidious but in view of the possible deterioration of the value of gold, it is worthy of consideration whether the establishment of a gold currency might not be accompanied by a provision for the periodical adjustment or declaration of the comparative value of gold with reference to silver Such periodical adjustment or declaration might be made at intervals of not less than thirty years. The provision might be to the effect that in the discharge of all debts and liabilities whatsoever and whensoever contracted the sovereign shall be held to be equivalent to 10 rupees of the present currency up to the 31st December 1894 But in respect of all debts or liabilities contracted in the existing silver currency prior to the 1st January 1895, and which shall not have been discharged prior

to the 1st January 1895, payment thereof shall be claimable in gold at the valuation, with reference to silver, which to that end shall be then declared by an Act of the Legislature Provision might be made for similar adjustments after subsequently recurring periods of thirty years.

8. Land revenue settlements in perpetuity might be hereafter made with a condition subjecting them to similar recurrent equalization.

Note by W Muir, Esq, *Senior Member, Sudder Board of Revenue, N W Provinces, on the proposal to make gold a legal tender, as affecting the permanent settlement of the Land Revenue,—dated 23rd July* 1864

The Minute of Sir Charles Trevelyan on the gold question contemplates the present establishment of a double standard as a measure preparatory for the eventual constitution of gold as the sole standard, silver falling into the place of a merely subsidiary or token currency.

2 The proposed measure will affect in an important degree the permanent settlement of the land revenue So long as the standard of the country was silver, the degree of future probable depreciation of that metal being so limited, it could be overlooked altogether The chances of future loss from fall in the value of silver were clearly outweighed by the advantages of perpetual fixity in the demand, free from any condition depending on variation of value For this reason I argued in a former paper against the admission of any such condition *

* Paras 14, 37, and 69 of Minute dated 5th December 1861

3 But the measure of future probable deterioration is vastly greater in respect of gold The enormous accession to the annual yield must, if continued in any thing like its present proportions, eventually cheapen this metal to a serious extent Little perceptible influence may yet be traceable to this cause, but the time has been too short, and a large quantity has been absorbed in France in the process by which of late years gold has there been displacing silver. The corresponding process, whenever it may take place in India, will in like manner absorb a great amount of gold The same thing may likewise take place in other countries. Further, the expanding commerce of the world may require an increasing quantity of gold, and thus counteract to some extent the depreciating influence of the larger annual supply But the time will come

when this annual supply, if maintained in any thing like its present magnitude, will have filled up all these voids and deficiencies, and then so far as human foresight can anticipate, a rapid fall must ensue in the value of gold.

4 The fall, whenever it does commence, will of course, affect all perpetual engagements expressed in gold currency Even with a double standard of silver and gold the effect would be the same as debtors would of course make their payments in the cheaper of the two currencies.

5 The result would be a corresponding virtual diminution in the land revenue. For example, the estimated share of a proprietor in the shape of rent is *1,000 maunds* of corn, *equal* to say Rs. *1 000* The settlement is accordingly made at a half of that, or 500 rupees, equal to 500 maunds. By the introduction of gold the proprietor pays instead £50 in sovereigns But in the lapse of time if gold falls to say 80 per cent. of its present value as regards corn, silver and all other things then in order to secure the value of the original assessment at 500 maunds or Rs. 500, the payment in gold would require to be increased to £62-10 0 And the perpetuation of the demand in gold at the sum of £50 would have just the same effect as if the assessment had been reduced to 400 maunds in kind, or to Rs. 400 in silver i. e., it would involve a deficit of 20 per cent. in the public revenues.

6 *Now, therefore* while we are *entering* into *engagements* with the proprietors of land and have the full right to annex any reasonable conditions to our contract it appears to me that we are bound to keep in view the interests of coming generations, and to consider whether it would not be just and equitable to leave the rulers of a future day the liberty, in the event of the contingency supposed to readjust the demands of the State in accordance with the original value of the assessment, in other words to revert to the original standard of 500 maunds, or of Rs. 500 in silver

7 It has been proposed to do this by allowing a modification of the demand according to the altered standard of agricultural prices In the supposed case, it is assumed that the price of agricultural produce measured in gold would have risen 20 per cent, that is for the amount of corn which at the settlement cost £50 the market price has now risen to £60 Consequently the assessment should be raised from £50 to £62 10 0 But prices are liable to increase from other causes than the depreciation of the currency and moreover they fluctuate so as to render any test of this nature somewhat vague and uncertain

8 The same object would be gained by measuring the fall in gold, by the relative value of gold to silver, and enhancing the demand in the same proportion This would be a definite, tangible, and accurate test · and on the reasonable assumption that silver will not be subject to any great depreciation, it would seem to afford a practical and sufficient security for the public interests

9 It has also this advantage, that it could to my apprehension be applied with perfect equity and justice to the permanently settled revenue of Bengal and of the Benares Division, the latter amounting to nearly half a million sterling It seems to me an object of importance that the terms of the permanent settlement should be uniform all over the empire, and I should be unwilling to see the settlement, e g, in the North-West, clogged with considerations less favorable than those in Bengal

10 The *obligations* of the landed community in the provinces already permanently assessed are expressed in silver The settlement was made in silver as representing the value of a corresponding share of the produce Now, suppose we take the case of a private contract on a similar basis A landed proprietor, for example, alienates his estate on condition that he shall receive a perpetual annuity of Rs 500 He does so in the knowledge that silver, the standard of the Indian Empire, is a currency not likely to be depreciated, and on the presumption that it will not be departed from Had gold been the standard, possibly he would never have entered into the engagement, seeing that the enormous increase in its annual production is likely to diminish the value of the annuity to his children, if not to himself.

11 And hence it appears to me that a distinction may fairly be drawn in this respect between ordinary transactions and those, whether public or private, which are of perpetual obligation, or in which the term is absolutely indefinite, so far as the power of the receiver of the annuity is concerned All ordinary transactions are of a temporary character They are ordinarily fulfilled and completed within the term of a generation An estate is mortgaged for a certain sum expressed in silver. By the time the mortgage is redeemed by the re-payment of the same sum expressed in gold, it is not probable that any material variation will have occurred between the values of the two metals, and it is reasonable, in consideration of the benefits and convenience to the public in having

all ordinary transactions expressed in a common standard, to require that the parties should treat such a mortgage, as if it had been concluded originally in the corresponding terms of gold

12 But the case would be entirely different with perpetual annuities, or annuities (as interest of the public debt) not terminable by re-payment of the capital sum at the will of the recipients The classes of cases of this nature are comparatively few in number, and they could be treated exceptionally without in any way disturbing or confusing the general course of social or national business.

13 It may be objected that no special condition of the nature contemplated has been found necessary in countries where a change in the standard has been made. But I submit that when such change was carried out elsewhere the probability of a great and rapid depreciation of gold could not have been so clearly and strongly foreseen as it now is And therefore we are warranted and indeed bound, to give the subject a degree of consideration which it may not hitherto have received elsewhere

14 It appears then to me that it would be nothing more than equitable to treat all perpetual engagements and obligations (as above explained) for an indefinite period as if they had been entered into with the express condition that they were to be for ever discharged in silver, or rather in the equivalent value of the standard currency of the day

15 If this be fair and equitable in the case of private engagements, I can see no reason why it should be otherwise in the case of permanent settlement already made and expressed in silver It cannot be in any measure unfair or inequitable for there is no incumbency no necessity in the nature of things, for a change in the standard. It is simply introduced for the public convenience and benefit, and there seems no reason why one class of the people should specially benefit by the change to the detriment of the great body of the nation, as they would do by contributing a smaller proportion than they had *engaged* towards the public expenditure or that any class of annuitants should suffer, if, without injustice or confusion and derangement in the conduct of mercantile and public business, it can be avoided. By the proposed adjustment there could be no breach of faith as regards the permanent settlement for under no circumstances would the zemindar be required to pay one rupee, or one anna more than he now does. And as the tendency of silver itself is to become cheaper and it is not

conceivable that by any contingency it could (as measured by agricultural produce) become dearer, the proprietors would not be taxed with the value of an additional maund or an additional seer of produce. On the contrary, by the inevitable rise in prices even as measured by silver, the amount of produce represented by the tax would become less and less.

16. It might be arranged that it should be in the power of Government, after a certain term of years, to effect the proposed readjustment by a Legislative enactment whenever the value of gold, taking the average of 10 preceding years, should be found, as measured by silver, to have fallen more than 10 per cent below what it was when gold was first made a legal tender

17 It may be objected that the fall in the value of gold being so slow and imperceptible a process, the increase of profits to the proprietor arising from the diminished value of his payments in gold would also take place slowly and imperceptibly, and that a gradual enhancement of income of this nature would come so naturally to be viewed as property, that it would be a hardship after the lapse of years to resume it for Government But the condition is so simple and clear, and the measure of depreciation and of readjustment so easily ascertainable, that it would be notorious, and if not always borne in mind, it would be the proprietor's own fault It would be an incident of the property that could not in the least degree detract from its value. The permanent limitation of the land tax would be as fixed and [illegible] as ever.

Minute by the Hon'ble the Lieutenant Governor of the North-Western Provinces,—dated 20th April 1864

The demand for a gold currency in India, as remarked by Sir C Trevelyan, rests upon mercantile rather than upon monetary considerations.

Viewed as a currency question, the provision of a recognized gold coin of fixed value will no doubt be convenient, but it is not absolutely necessary and the introduction of a paper currency has diminished the need for it even as a matter of convenience

The difficulties attending a double standard are evaded by Sir C Trevelyan s proposition not by depreciating the gold coin, but by undervaluing it relatively to silver, or in other words forestalling a depreciation in the value of gold itself

How far this measure will succeed in creating a market for Australian gold must be decided by experience but its effect upon the currency will be very slight for gold coin of the value of ten rupees will generally be employed only for hoarding or for conversion into ornaments.

It may indeed and probably will come to be used to a certain extent by travellers, and will in this be aided by the breaking up of the note currency into circles but this will not affect the general circulation which for a long period to come must necessarily consist of rupees.

It might perhaps be determined to coin gold rupees, and it is in this form only that gold could be brought into general circulation but the only probable ground for such a measure is an insufficient supply of silver for the requirements of circulation and of this there seems to me to be no real cause for apprehension for notwithstanding the enormous demand of late years prices have shown but an inconsiderable variation and the latest information gives reason to anticipate a large increase rather than a falling off in the supply

It is by no means impossible therefore that the value of silver may fall quite as much as that of gold, and the only true remedy, so far as the permanent settlement of the land revenue is concerned is the adoption of a grain standard instead of that of either of the precious metals.

For the regulation of rents as between landlord and tenant, I regard such an arrangement as highly desirable, for although it may be true that rents are affected by other causes than the price of agricultural produce it cannot be denied that a permanent rise in the market price

of grain ordinarily used as food is a very clear indication of a fall in the relative value of money, and therefore a legitimate ground for a rise in rents

But a provision of this kind, however theoretically correct and justifiable, would, if applied to the permanent settlement, be productive of so many doubts and fears among the natives as to forbid all idea of its introduction

It will be seen from the above that I do not share in Mr. Muir's apprehensions either as regards the introduction of a gold currency, or as to the probable greater depreciation of gold than silver

The Government of India have proposed a safe step in the admission of gold at a value fixed by themselves, which removes all fear of its competing with silver, and which it can at all times change, and practically I believe there is little reason to expect the substitution of gold for the present Silver Currency of India for many a long year to come.

The discussion of the subject therefore in relation to the permanent settlement seems premature—that settlement will here as elsewhere be expressed in rupees, and it may be safely left to the wisdom of the Legislature, whenever the question of introducing a gold currency comes seriously to be entertained, to provide a sufficient remedy for any loss that it will entail upon the revenue, by means which will apply uniformly to Settlements in all parts of the country

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From E H LUSHINGTON, ESQ, *Secy to Govt of India, Finl Dept, to Secy to the Govt of the N W. Provinces,—No.* 2397, *dated Simla,* 12*th September* 1864

In reply to your letter No 854, dated 25th August 1864, I am directed to observe that the Hon'ble the Lieutenant Governor has, in the opinion of the Governor General in Council, taken a sound general view of the question raised in Mr Muir's Minute

2 The objections to a periodical readjustment of the legal value of gold and silver coins would be extremely serious, but it is not necessary to enter upon them, for it seems probable, from the experience of late years, that as gold and silver both enter into the composition of the circulating medium of the world, and both used as articles of luxury, if gold should be lowered in value by a considerable increase in its quantity, silver would, in the absence of new fields of consumption, also sustain a fall

3 Looking, however, to the decrease in the production of gold in Australia, owing to the exhaustion of the alluvial deposits, and to the rapid increase in the demand for the precious metals in India and other parts of the world for currency, plate, ornaments, and hoarding, it is probable that their depreciation has reached its limit.

Forwarded to the Right Hon'ble the Secretary of State for India, in Financial Letter No 126 of 1864, dated the 13th September

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Financial Despatch from the Govt of India, to the Right Hon'ble the Secy of State for India,—No 126, *dated Simla, 13th September* 1864

We have the honor to forward for your information copy of a cor respondence with the Government of the North Western Provinces on the bearing of the introduction of a gold currency upon the permanent settlement of the Land Revenue

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NOTES BY MR G. ARBUTHNOT,

On SIR CHARLES TREVELYAN'S *Minute on a Gold Currency for India.*

Treasury, Whitehall, 16th September 1864.

The question of the adoption of what is usually termed a double standard, but which would be more appropriately designated an alternative measure of value in the currency of a country, is always a difficult one, but the proposition submitted with respect to the currency of India is further complicated by its novelty, both in respect to the object to be attained, and the mode by which it is hoped to accomplish it.

2. In other countries, with the exception of the British Colonies, the measure sought to be attained has been to allot such a proportion of gold and silver to the current national coins, consisting, respectively, of those metals, as would give an equal relative value to each in a common denomination of account. In India it is proposed to legalize the currency of the existing coins of two different countries, whose money of account has nothing in common. In other countries, including the British Colonies, the principle aimed at has been to give a nominal concurrent value to coins of the two metals, according to the average value which gold and silver bear to each other in the general market of the world. In India it is proposed to follow a course founded solely on local considerations, uncertain in their effect, and possibly of an evanescent character.

3. Before discussing the particular measure proposed by Sir Charles Trevelyan, it may be desirable to clear the way by disposing of some of the preliminary arguments introduced in his Minute on points of general application.

4. It may at once be conceded that the substitution of a gold for a silver standard, if it could be effected without derangement of current business, and without evident depreciation of the measure of value, would be unobjectionable on principle in regard to its effect on existing contracts. Though the precious metals have greater fixity of value than other products, and are on that account adopted as the best regulators

of prices, they are liable to fluctuation in respect to the proportion which they bear to each other, and to commodities generally, and it would be a pedantic subserviency to Regulation to maintain that a debt contracted for a payment in silver should never be discharged by its equivalent, at any given period, in gold. On the same consideration an alternative measure of value, if nicely adjusted, may be regarded as unobjectionable in principle.

5 We may dismiss, in reference to this part of the question all conjectures regarding the future supply of one or other of the precious metals Sir Charles Trevelyan apprehends difficulties from a diminution of the supply of silver; but the history of the world has not hitherto afforded any alarming indications of a great alteration in the relative production of gold and silver It is said by well informed persons that the supply of silver is on the increase arising partly from the discovery of new mines of that metal in California, and partly from the increased facility of extracting silver from the ore, in consequence of the opening of new mines of quicksilver On the other hand, though new gold fields have been discovered, the yield from those of Australia has decreased and this fact would seem to confirm the experience of former days that gold lies nearer to the surface of the earth, and is therefore sooner exhausted than veins of silver The relative value of these metals will be governed ultimately by the amount and quality of the labor employed in their production. In the mean time their relative prices in the market afford the only safe guide, and these do not confirm the opinion entertained by Sir Charles Trevelyan on the subject.

6 We may in like manner dismiss speculations on the supposed fitness of different forms of currency as applicable to different stages in the growth of a nation. Sir Charles Trevelyan considers that a natural law exists by which the currency should pass from rude materials first to silver, then to gold, and ultimately to paper as the representative of gold. But there is no example of this order of sequence in the commercial history of the world. In Great Britain in France, and in the United States, the use of a paper circulation existed (sometimes to excess) long before the adoption of a gold standard and a sound paper currency may be founded on the basis of either metal indifferently

7 The subject matter for consideration is eminently a practical one though it is unusually entangled by a variety of uncertain elements, which suggest motives for caution rather than confident speculation.

The movement of the precious metals since the discovery of new gold mines has been governed by many contingencies, not immediately referable to the increased supply of that metal, nor even to the vast development of the commerce of the world arising from the establishment of free trade in Great Britain.

8. If other things had remained the same, the natural effect of the gold discoveries would have been a re-distribution of the precious metals throughout the currencies of the world. After providing for a circulating medium among the new industrial communities attracted to the gold fields, the surplus metal would find its way into currencies of countries which are based on a gold standard. It would displace silver in countries having a mixed circulation; and the latter metal would flow to places in which it constitutes the standard of value. By such means currencies consisting of silver would be increased correlatively with those of gold, and nominal prices would be generally raised throughout the world. During the progress of the change the value of the precious metals in relation to each other would be liable to considerable fluctuation.

9. These effects in part followed the first discoveries of gold in California and Australia. They were arrested or modified by the vast development of trade, the increased well-being of the masses of the population, and with it the opportunity and habit of Railway travelling, all which led to the requirement, certainly in England, and probably in other parts of the world, of a great addition to the circulating medium for the purpose of retail traffic.

10. But the main cause of disturbance in the natural flow of the bullion trade has arisen from the fortuitous character of our trade with the East, which has prevailed ever since the new discoveries of gold, and has baffled conjecture. The opening of new ports for trade in China led to a great augmentation of imports into Great Britain and the United States, in excess of the exports to that country. The transmission of treasure on account of capital raised in this country for Indian railways followed, then the loans on account of the expenditure for the suppression of the mutiny, and, lastly, the money required for the purchase of cotton in India in consequence of the Civil war in America. To these events may be added the opening of trade with Japan.

11 In all these cases large remittances of silver have been and are still required to adjust the balance of trade, and though the operation has been continued for some years, it has been owing, in the case of India, to circumstances of a very exceptional character

12 It is argued by Sir Charles Trevelyan that there is no want of additional circulating medium in India, because prices are universally high and that high prices "are a certain indication of a full state of the circulation, because, whatever may be the causes which create a tendency to a rise in price, they would be held in check if the circulating medium were deficient." This dictum cannot be accepted without qualification Prices are a relative indication of value and no sound conclusion can be formed as to what really constitute prices sufficiently high to govern the circulation of specie unless a comparison be made between the different causes in operation at the present time and at times when prices of commodities were comparatively low It is true that in the case of trade between countries whose exchanges are generally well balanced, and the supply of specie is in a normal condition, low prices attract, and high prices repel money But this theory fails in its application, when in consequence of an increased supply of one or other of the precious metals, a new distribution of them is in progress throughout the world, and when a new trade or a new demand for labor springs up in a country in which the wages of labor are low In the latter case a long continued influx of specie and augmentation of the circulation is compatible with a continued rise in prices. It is probable that with the new demand for labor in India, the internal trade of the country has greatly increased and that with that increase there has arisen a necessity for a large addition to the circulating medium Much of the money supplied is no doubt hoarded or ultimately converted into ornaments, but the primary want is coin, an adequate supply of which, or its equivalent in notes can alone avert a recurrence of the crises which are described in the Minute.

13 It is this want, indeed, which has given an impulse to the present demand from merchants and trading bodies for the adoption of a gold subsidiary currency in India. The superior convenience of a gold circulation over silver for purposes of transport and for use in transactions above the ordinary dealings in the market is obvious. Yet many rich countries have employed silver as the standard of value without sensible disadvantage, and in a country like India, coins of inferior

denomination must be most required. It is probable, therefore, that the present movement would not have arisen if the internal traffic of the country had been alone in question, or if the machinery of the mints had been sufficient to have met the demands for the coinage of silver periodically remitted in such large quantities for payments due from England, which will probably continue so long as the present abnormal demand for cotton lasts.

14. The proposal is to ease this pressure by declaring sovereigns a legal tender in India, as the equivalent of ten rupees, and a variety of Returns is furnished to prove that by a comparison of prevailing prices between gold and silver in India, there is a probability that sovereigns will freely pass in payments at that rate. The Returns themselves, even if the conclusions derived from them are correct, do not seem to me to prove that, with every allowance for the peculiar condition of the bullion trade in India, the price of Sovereigns at Calcutta (either British or Australian) is such as to allow of their importation in large quantities for the purpose of circulation at ten rupees. An examination, however, of the Statistical Tables raises doubt regarding the completeness of the calculations comprised in them, and the general conclusions founded on them appear to me to be altogether erroneous.

The information on which the scheme in the Minute is founded is mainly derived from the paper furnished by Mr Dunlop (Appendix No 8). This gentleman appears to have collated with intelligence, and, I have no doubt, with great accuracy, the Returns accessible in India* of the imports of gold and silver and of their relative prices.

15. Reasoning founded on statistical compilations is, however, proverbially delusive, unless attention be given to collateral facts. No sound conclusions can be formed from averages taken from monthly statements of the prices of gold and silver without information regarding the amount sold in each month, and the circumstances under which each remittance was made A merchant or banker is not governed in his dealings by averages, but by his calculation of the immediate profit

* I may, however, observe that the table of the selling prices of bar gold and silver of standard quality in London is calculated to convey an erroneous impression The prices of gold which Mr Dunlop quotes are evidently those of what is technically called "bar gold parting," that is, gold containing silver in the alloy which may be parted in the refinery. Generally speaking, it means Australian bar gold, which, on account of the silver contained in it, bears a higher price than standard gold of the quality that is taken to the Mint

to be derived from each transaction. *The flow of the precious metals is governed by the exchanges, and a turn of 1 per cent. in them might be sufficient to send gold from one end of the world to the other.* Take, for example, the price of Australian Sovereigns at Calcutta in the last three fortnights of 1863, viz., Rs. 10-5, Rs. 10 1 6, and Rs. 10 1, the average of the three quotations would be Rs 10 2 6 but supposing sovereigns to the extent of £150,000 were sold in the first fortnight, *and to the extent of £50,000 in each of the following fortnights*, the price realized for the whole would be Rs 10 3 6 Something of this sort actually occurs in trade.

16 The remittance of sovereigns from England to India is *governed by the price of silver* and the quantity procurable in London at the time and the price at which bills on London can be purchased in India. Gold is sent in order that the value may be returned, with profit, in the shape of bills In the month of December 1863 the price of silver in the London market rose to 5*s* 1¾*d* Not only, however was the high price, but the quantity in the market was insufficient for the amount of remittances required Time is precious in mercantile transactions, and those who deal in the business of remittance and exchange could not afford to wait for expected arrivals. Gold was therefore sent in place of silver and I learn from a Return of the Custom House that the large amount of £842 615 in gold specie was shipped for Egypt on the 9th of December 1863, the bulk of which was destined for India.

17 Mr Dunlop comes to the conclusion, *from calculations founded* on average prices, that British coined gold can "be laid down in Calcutta at Rs. 10-4-10 per sovereign" I have ascertained from the Manager of the Oriental Bank that the actual cost of sovereigns sent to India by that establishment in 1863 was at the rate of Rs. 10-3-4. The difference is important, because much stress is laid in the Minute on the economy of direct transmission of gold from Australia to India. There is, no doubt, a saving of expense under existing circumstances in adopting that course and that merchants are not slow to avail themselves of the advantage is shown by the fact that out of imports of gold into India, amounting to nearly £3 000,000 in the year 1863, more than two-thirds were drawn from Australia. Yet more is deduced from this advantage than the facts warrant. *No allowance is made as a set-off* against increased freight, for the charge for refining gold in Australia which is higher by 1 per cent. than that of the London refineries no

reference is made to the rise in the price of gold in Australia in consequence of the Indian demand, and sufficient consideration is not given to the circumstance that, notwithstanding the facilities afforded by the Australian market, it has yet been profitable to our merchants to send direct from London one-third of the gold required in India.

18. I dwell upon this point because it appears to me that the prime fallacy in the proposed scheme is founded on the sentence of the Minute that—

"The sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is, from Australia"

19. The whole question turns upon this assertion, and it is important to examine it, because if it be a fallacy, all the authorities consulted in India by Sir Charles Trevelyan appear to concur in it, with the single exception of the Hon'ble Claud Brown, whose letter is published (Appendix No. 9) with candour, but without the attention which it deserves.

20. It might be a sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate, and if the proposed measure were to bring about the expected result of inducing the transmission of gold in preference to silver, Australia could not supply more than one-fourth of the amount required, even if the whole of its produce of gold were sent thither. It is shown in one of the tables in the Appendix to the Minute, that the amount of treasure imported into India in 1863-64 was £26,147,200, and it is shown in the Minute itself, that the produce of the Australian gold-fields in 1862 was only of the value of £6,685,192 with "a decided tendency to fall off."

21 It may further be observed, that the gold imported into Great Britain is drawn, in the course of trade, from almost every country, and that Australia supplies but a comparatively small proportion of the amount According to the Returns of the Board of Trade, the value of the registered imports of gold bullion in 1863 was £19,142,665 Of this only £5,995,368 was derived from Australia. A great part of these general imports is employed, through the operation of the exchanges, in acquiring silver for transmission to India, and if, by an alteration of the Currency laws, silver should cease to be the preferable medium of remittance, gold would be sent direct to India from England, instead of being used circuitously in the purchase of silver

22 The principle involved requires, however, further investigation, and I propose to direct attention to the experience to be derived from the proceedings of other nations which have adopted a mixed currency, and to draw inferences from that experienced in regard to India.

23 I will first refer, in some detail, to the case of the United States, because the proceedings of that Government afford an example of the effect, on a currency, of small errors in calculations of relative value, and because the history of those proceedings is not correctly quoted in the Minute

24 The first Act of Congress for the regulation of the Currency of the United States was passed in 1792 It enacted that "there shall be from time to time struck at the Mint dollars and units, each to be of the value of a spanish dollar, and to contain 371¼ grains of pure, and 416 grains of standard silver' The Eagle (or 10-dollar piece) coined after this, contained 247½ grains of fine gold.

25 It may not be unworthy of remark that Congress in its first search for the 'almighty dollar' deviated from the coin proposed for their model, as the average contents of fine silver in the Spanish dollars was about 376 grains. The authorities of the United States thus began their operations by a depreciation of the currency to the extent of more than 1 per cent.

26 It will be observed that the relative valuation of the gold coin to the silver dollar gave the proportion of 1 of gold to 15 of silver; and as the average relation of the two metals to each other in the general market was at the time as 1 to 15 7 gold was under valued in the currency and the new silver dollar became the practical standard of value in the United States. This state of things continued until 1834 when an Act was passed reducing the contents of fine gold in the Eagle to 232 grains, thus altering the proportion of gold to silver in the currency from 1 to 15 to 1 to 16 Gold being thus over valued became the preferable medium of exchange and a further depreciation of the currency was established. Subsequent Acts altered the proportion of alloy in the two descriptions of coin, but made no appreciable alteration in their relative contents of pure metal After 1834 the quantities of gold taken to the United States Mints for coinage greatly exceeded the quantities of silver, and the coinage of the silver dollar and its subdivisions was limited to the requirements for a circulation of the lower

denominations. Although the coinage of silver under this system was expensive, no material inconvenience appears to have been felt until after the discovery of the gold mines of California, when the relation of the two metals to each other was altered to an extent which rendered it profitable to collect the small silver coins for exportation To remedy this evil, an Act was passed in 1853, not altering the old silver dollar (that is, the whole dollar) but authorizing the coinage of half dollars and lower fractions of a dollar, at the rate of 192 grains for the half dollar in silver of nine-tenths fineness, which should pass for a limited tender of payment on the principle of the token coinage of Great Britain After the passing of this Act the coinage of entire silver dollars fell into disuse, and the last coin of this description was issued in 1857. Legally, therefore, the double currency of gold and silver still exists in the United States, but gold became the practical measure of value until displaced by the recent excessive issues of Government Paper money.

27 In France the attempt to establish a double medium of exchange was more nearly adapted to the prevailing relative value of the two precious metals. The proportion adopted was as 1 of gold to 15½ of silver At these rates silver was the cheaper tender of payment until after the new discoveries of gold, but the difference before that event was not so great as to preclude the use of gold entirely, and it passed current at a varying premium In certain conditions of the exchanges, gold passed between London and Paris in adjustment of payments, and the same bag of gold has been known to make several journies in these transactions

28 It is unnecessary to refer to other European countries in which a similar system has prevailed; and it is sufficient to observe that, under its operation, gold and silver were both available for the adjustment of mercantile transactions on the Continent of Europe.

29 I will, however, make a passing remark on the application of this principle to the currency of the West Indies, because Sir Charles Trevelyan has called attention to a paper written by me in 1858, in which reference is made to this subject, and because the arrangement of 1838, for the regulation of the currency of the British Colonies in that part of the world, affords the most perfect example on record of a successful adjustment of a mixed currency. The arrangement is so fully described in the extract from my paper (Appendix No. 7), that it is unnecessary here to repeat the details

30 Sir Charles Trevelyan has referred to my labors under him and with him in and for the public service, in terms so gratifying that I am sorry to find myself in opposition to him on the present occasion. But his candour has hitherto led him to bear much from me in our mutual discussions on financial and other public matters, and he will not, I feel sure, object to my stating that I regret the use made of this document, which does not, I think, bear out the inference which he derives from it.

31 The paper from which the extract is made was written for the purpose of proving that the arrangement, which was successful in the West Indies, was inapplicable to the Colony of Hong Kong and for like reasons I consider it inapplicable under existing circumstances to India. I think that the extract itself shows that the conditions which rendered the transition from a silver to a gold currency in the West Indies, easy and unobjectionable are not to be found in India. In the West Indies, coins of the two metals were rated for circulation on a fine calculation of their relative value and British silver, which combining with that relative valuation represented fractional parts of both descriptions of coins, constituted as it were a pivot on which a change from one to the other could be made, without derangement of contracts or current business. In India both these ingredients are wanting There is no concurrent valuation of gold and silver coins to form the foundation of a change, and there is no subordinate coinage which can be adapted equally to the current money of India and Great Britain

32 It will be obvious that in all the foregoing cases, a common prevailing price constituted the basis on which the regulation of the concurrent use of gold and silver coins was attempted, and that the practical results have depended on that prevailing price and its latter variations. The currencies of France, of the United States, and of the West Indies were influenced by a common cause.

33 We find no room for speculation on the sources of the supply of the precious metals. Before the recent discoveries, the principal supply of gold was derived from the Ural Mountains but it was not found that gold, for permanent and practical purposes of regulation was cheaper in the countries bordering on Russia than in America.

34 Gold derived from America is constantly sent back from London to the Brazils in the course of trade In 1863, gold of the value

of £2,707,857 was sent from Great Britain to Russia, a gold-producing country, and re-imports thence of the value of £904,532 occurred in the same year When once sent on its travels, the original attribute of peculiar value is lost, and gold of the same quality becomes of the same value whencesoever it may be derived, and whatever may be the cost of the labor which produces it.

35. On what ground, then, is it supposed that the general law is inapplicable to India, and in what way are we to account for the undoubted fact that gold is relatively cheaper in India, as compared with silver, than in London?

36. The apparent anomaly is owing to the exceptional position which India holds, and is easily accounted for.

37. Silver is the standard, and the regulator of prices in India, to the entire exclusion of gold as a measure of value. It is so generally in the East Except in the comparatively small communities of Ceylon, Mauritius, and Manilla, and doubtfully in Japan, gold hardly enters into the currencies of the vast regions eastward of the Cape of Good Hope and northward of Australia It follows that it is comparatively depreciated there when measured by the silver money of those regions. The material of that money, purchased with gold in London, must bear the charges of freight, insurance, interest, and mintage, amounting in India to 5¼ per cent (as correctly shown in Mr. Dunlop's paper) before it can be brought into circulation in India. It is by this silver measure of value, thus enhanced in price, that the cost of the Australian sovereign is estimated in Sir Charles Trevelyan's Minute.

38 Remove the impediment to the concurrent circulation of gold with silver, and the cause of this difference of value between the two metals in the west and the east will disappear The tendency, at least, must be to an equalization of the general rates of the bullion market in both quarters. It is therefore the price of silver, in London, and not the price at which sovereigns can be laid down at Calcutta from Australia, as estimated in present currency of India, which should be regarded as the point for consideration in this matter

39 And this constitutes the main difficulty in devising any measure for the introduction of a gold currency into India Experience is wanting for a guide During the first half of the present century, there was little variation in the comparative value of gold and silver. The normal price of silver of British standard in London was about 60*d* the ounce.

The new discoveries of gold disturbed this relation, and the price of silver has of late years been subject to so much fluctuation, that it would be difficult now to fix an average for the concurrent circulation of coins of the two metals. But this is not all Although the ultimate value of gold and silver must, as before observed be derived from the value of the labor employed in their production, their immediate price is governed by the law of supply and demand to an extent, and sometimes for a prolonged period of time exceeding that which applies to other commodities. The price of standard silver in London has been mainly influenced of late years by the abnormal requirements for India. When the demand for transmission of silver thither has been great, the price in London has risen; when it has temporarily ceased it has fallen—on one occasion even to an extent which touched the point at which it would have been profitable to send silver to France. Any measure therefore which would lead to the practical employment of gold in preference to silver in the currency of India would cause a cessation in this demand and lead to a re-action in the upward tendency which has of late prevailed in its price as compared with gold

40 On this ground it would seem to be rash to attempt, at the present time, any permanent regulation which, if effectual for the establishment of gold in the currency of India, must be of doubtful tendency, and if ineffectual would be simply delusive, and therefore not creditable to the foresight of Government.

41 A tentative and experimental course would seem the wisest policy in this intricate matter I understand that the Secretary of State proposes to authorize the receipt of sovereigns at the rate of 10 rupees each in payment of the revenue. Although this measure will not probably give currency to British money at this rate at the Presidencies it may lead to its increased use in the Provinces, where, on account of the convenience of transport it will find its way at less cost than silver; and if the sovereign is officially recognized as currency in any part of India, it may perhaps be received in payment at the Presidencies at a varying premium just as gold formerly passed current to a limited extent in France. The experiment is worth a trial, and will afford a sure test of the various speculations which have prevailed on the subject.

42 It might tend to afford relief in times of pressure, if the principle were extended to the issue of Notes in exchange for sovereigns deposited at the same rate If such issues were allowed as a temporary

expedient, on the condition of allowing the depositors to redeem their gold within a limited period, the difficulties arising from the delays in the coinage of silver might be greatly alleviated. The transaction would be as safe for the Government as the receipt of sovereigns in revenue payments It will be seen that the practical objection to which Sir Charles Trevelyan refers in an extract from a paper of mine would not apply to an issue of notes on a deposit of gold for an amount below its intrinsic value The objection entertained by Mr. Wilson on the subject, on which Sir C. Trevelyan dwells, is at best more a theoretical than a practical one, not borne out by the experience afforded by the practice of the Bank of England, and it will probably be admitted that a measure which may be a gain to the mercantile community by giving them the command of money when needed, will not result in "pure loss" to the Government.

G ARBUTHNOT.

Financial Despatch from the RIGHT HON BLE SIR CHARLES WOOD, BART, G C B, *Secy of State for India, to His Excellency the Right Hon ble the Governor General of India in Council—No* 224, *dated* 26*th September* 1864

I have received your despatch dated the 14th July last No. 89 enclosing the elaborate Minute of Sir Charles Trevelyan and the valuable papers contained in the Appendix, on the subject of introducing gold into the currency of India.

2 The practical proposal of Sir C Trevelyan on this subject, in which you express the concurrence of your Government is to make the gold sovereign and half sovereign legal tender in India for ten and five rupees respectively, concurrently with silver rupees and ultimately to establish a gold standard and currency in India, as in England and Australia, with a subsidiary coinage of silver, the silver coins not possessing the intrinsic value which they represent, and being legal tender only to a certain amount.

3 I have carefully considered in Council this important question which indeed has occupied my attention for some time, and which, as you will have learnt from the public journals, has been the subject of a debate in Parliament.

4 I lose no time in making you acquainted with the views which Her Majesty's Government entertain upon this subject for I concur in the opinion that it is desirable that their decision on the question should be made known as early as possible in India.

5 It is obvious from the information collected by Sir C Trevelyan that there is a very general desire for the introduction of gold coins in India; that the people even in the upper and remote parts of India are well acquainted with the *sovereign* and that there is a very general impression that the introduction of the sovereign would be well received and that it would circulate freely at *ten rupees*. Nor can there be any doubt of the advantage to India, England and Australia, if the gold sovereign could be made the *basis of their common currency*

6 It is not proposed at once to change the standard coin of India and indeed it would be a very serious measure hastily to attempt so great a revolution in the habits of the people There is great wisdom in the

observations of the Chamber of Commerce at Calcutta, that they are "strongly in favor of the introduction of gold as an auxiliary currency "and as a tentative measure, which they believe will gradually but "surely lead to the adoption of gold as the general metallic currency of "this country, with silver as the auxiliary; but they are opposed to any "sudden change being attempted, fearing that any such attempt would "prove unsuccessful, and be likely to cause great derangement in the "commerce and finance of India"

7 The only practical measure, therefore, to be considered is the establishment of a double standard of gold and silver, the gold sovereign being legal tender for the same sum as ten silver rupees.

8 I will not stop to discuss the general question of establishing a double standard, but it appears to me that there are great practical objections in the way of adopting the measure actually proposed.

9 It is only necessary to state that, where coins of the two metals, gold and silver, are equally legal tender, those of the metal which, at the relative legal rating of the two metals, is cheapest at any period, are thereby constituted the currency, and the metal of which they are made becomes practically the standard at the time, and further that a very slight difference in the relative value of the two metals may change the standard and the whole currency of a country

10 The readiest illustration of this truth is the recent change in the circulation of France In that country coins of gold and silver were equally legal tender Gold coins containing one ounce of gold were legal tender for the same sum as silver coins containing $15\frac{1}{2}$ ounces of silver.

11 Before the recent discoveries of gold an ounce of gold was worth, in the markets of Europe, nearly $15\frac{3}{4}$ ounces of silver It was, therefore, according to the relative legal rating of gold, and silver, more advantageous to pay in silver than in gold Silver coin, therefore, for many years formed the currency of France, the gold coin bearing a premium. Since the recent discoveries of gold, the value of gold relatively to silver has fallen to about 1 to $15\frac{1}{3}$ This difference has rendered it more advantageous to pay in gold Gold has displaced silver, and now forms the currency and standard in France

12 It is obvious, therefore, that whether the sovereign, rated at 10 rupees, can circulate to any extent in India, concurrently with the

silver rupees, depends upon the question whether it will be cheaper to meet an obligation of the amount of 10 rupees by a gold sovereign or by 10 silver rupees.

13 In examining this point, it is enough to refer to the information and the calculations contained in the Appendix to Sir C Trevelyan's Minute as to the value of the sovereign in India.

14 In these calculations the value of gold is of course taken in rupees of the Indian silver standard

15 There are two modes referred to in those papers by which sovereigns might be provided for the currency of India first, by coining them in India, secondly, by importing English or Australian sovereigns.

16 With regard to the first proposal of coining sovereigns in India, Mr Brown's paper contains a calculation of the cost at present of producing a sovereign at a Mint in India, and he estimates it at Rs. 10 4-6

17 With regard to the second proposal of importing sovereigns, Mr Dunlop's paper estimates the price, calculated in rupees (and the rupees taken at the $\frac{1}{10}$th part of an English pound), at which an English sovereign can be laid down at Calcutta at Rs. 10-4-10, that of an Australian sovereign at Rs. 10 2-9

18 The prices at which Australian sovereigns have been actually sold at Calcutta according to Mr Dunlop's paper give a higher value for the sovereign than this and the prices of English sovereigns which I have received from Bombay, are *also* rather *higher* than the price above given.

19 I do not know that, in the present exceptional state of the markets for produce in India, the present prices of the precious metals are a good criterion of their value. On referring to the prices of silver in the markets of Europe, the intrinsic value of the sovereign in rupees would seem to be about Rs. 10-8 at the present price of silver in London, and about Rs 10-12 at the price which prevailed some time before 1850

20 At the present prices of gold, with the various charges of bringing it to India the value of the sovereign must according to these statements (and it is by these statements that Sir C. Trevelyan's proposal is supported), be so much above that of 10 silver rupees that for the purpose of making any payment, the latter coins must necessarily be preferred to the sovereign

21. If there were the means of coining sovereigns in India, it would be more for the advantage of the holder of bullion to carry silver to the Mint for coinage rather than gold, and it would be more for the advantage of the exporter from England to send silver to India rather than gold or sovereigns. Even if the sovereign is imported from Australia, it would be more valuable in India than 10 silver rupees

22. If the use of gold in the currency of India enhanced its value there, as is probable, and if the anticipations which are generally entertained of a diminishing supply of gold, and an increasing supply of silver, should be realized, the difference in favor of the employment of silver coin will be greater even than it is at present.

23 I cannot but think, therefore, that to enact that a sovereign should be legal tender at 10 rupees, with the view of introducing it largely into the currency of India, would be totally inoperative, and it is very inexpedient to enact a law which would have no practical effect, and which it might be necessary to alter in a very short time

24 I am unwilling, therefore, to sanction such an enactment, but at the same time I see no objection to reverting to a state of matters which prevailed in India for many years, namely, that gold coin should be received into the public treasuries at a rate to be fixed by Government, and publicly announced by proclamation.

25 This was the case with the gold mohur, or 15-rupee piece, from 1835 till Lord Dalhousie's proclamation in 1852, and with other gold coins previously to the reformation of the currency in 1835

26 At their present value, there can hardly be a question of the readiness of the people of India to receive sovereigns for 10 rupees, and if any difficulty should be apprehended about their doing so in parts of the country distant from the Presidency towns, it will be obviated by their being received at that rate into the Government treasuries I do not anticipate the least risk of loss to the Government by so receiving them. One of the Appendices to Sir C Trevelyan's Minute shows that the sovereigns received into the treasury of the Madras Presidency were sold at a profit The only possibility of loss is such a change in the value of gold as would make a sovereign worth less than 10 rupees, and, for the reasons which I have given, I do not anticipate any probability of this being the case If it should happen, it would be a very simple measure to alter the rate at which they were received

27 The obligation which is imposed by making a coin legal tender is only an obligation upon the receiver to take it for a given sum. No obligation is imposed by such an enactment on the person paying It is obviously unnecessary to impose an obligation upon any one to receive a sovereign for more than its value, and as the person paying, by whom, in fact, the coin is put into circulation, has the option of paying either in gold or in silver, the question as regards the introduction of the sovereign into circulation at the rate of 10 rupees must depend upon whether it would be worth the while of any person having a payment to make to carry gold to a Mint to be coined into sovereigns, or to import sovereigns, in order that he may have the power of paying a sovereign in discharge of a debt which he may equally discharge with 10 silver rupees.

28 It is not probable that, at the present relative value of gold and silver, any one would incur the loss which such a proceeding would cause, but if the convenience of the sovereign circulating at the rate of 10 rupees is so great as is represented in Sir C Trevelyan s Minute and the accompanying papers, it is possible that this advantage may counter balance some loss.

29 Whether it would do so and to what extent, can only be deter mined by experience and I am of opinion that it may be desirable to try at once, as an experimental measure the course which I have suggested.

30 I wish you therefore, to declare and to make it publicly known by proclamation that sovereigns and half sovereigns according to the British and Australian standard coined at any properly authorized Royal Mint in England or Australia and of current weight will until further notice, be received in all the treasuries of India for the same sum as 10 and 5 silver rupees respectively and will be paid out again at the same rate, unless objected to.

31 This measure appears to be entirely unobjectionable. It is in accordance with the cautious and tentative course recommended by the Chamber of Commerce of Calcutta it will, as far as it goes, facilitate the use of the sovereign and half-sovereign in all parts of India it will pave the way for the use of a gold coinage in whatever shape it may ultimately be found advisable to introduce it and, at the same time it establishes a preference in favor of the sovereign.

Notification by the Govt. of India, Finl Dept ,—No 3517, *dated 23rd November* 1864

The Governor General of India in Council, considering it expedient that the circulation of British and Australian sovereigns in all parts of British India and its dependencies should be encouraged and facilitated, is pleased hereby to direct that, from and after the publication of this Notification, sovereigns and half-sovereigns coined at any authorized Royal Mint in England or Australia of current weight,* shall, until further notice, be received in all the Treasuries of British India and its dependencies in payment of sums due to the Government, as the equivalent of ten and five rupees respectively, and that such sovereigns and half-sovereigns shall, whenever available at any Government Treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government

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Notification by the Govt of India, Finl Dept ,—No 3518, *dated 23rd November* 1864

The Governor General of India in Council is pleased to direct, under the authority vested in him by Act XIX of 1861, Section 9, that Government Currency Notes shall, until further notice, be issued at the Offices and Agencies of Issue of the several Circles of Government Paper Currency in British India, in exchange for sovereigns and half-sovereigns, coined at any authorised Royal Mint in England or Australia, and of current weight, calculated at the rate of ten and five rupees respectively, to an extent not exceeding one-fourth of the total amount of issues represented by coin, or by coin and bullion in each circle

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* The standard weight of the sovereign is grains 23 274, and it ceases to be current when, from wearage or other causes, it falls in weight below grains 122 5

Minute by the HON'BLE SIR C E TREVELYAN, K. C B.,—*dated 23rd November 1864*

In submitting drafts of Notifications to give effect to the Secretary of State's decision on the question of a gold currency for India, I think it right to make the following remarks —

The Secretary of State's decision is based upon the following positions laid down in the 12th, 20th and 23rd paragraphs of his despatch dated the 26th September last, No 224 that whether the sovereign, rated at ten rupees can circulate to any extent in India, depends upon the question whether it will be cheaper to meet an obligation of the amount of ten rupees by a gold sovereign or by ten silver rupees that at the present prices of gold the value of the sovereign must be so much above that of ten silver rupees that, for the purpose of making any payment, the latter coins must necessarily be preferred to the sovereign, therefore, to enact that a sovereign should be legal tender at ten rupees, with the view of introducing it largely into the currency of India, would be totally inoperative and it is very inexpedient to enact a law which would have no practical effect, and which it might be necessary to alter in a very short time.

If the present prices of gold are calculated for this purpose upon those prevailing in London, the correctness of this view must be at once admitted

The value of the sovereign is about Rs 10-8 at the present price of silver in London. If, therefore the currency of the sovereign in India depended upon its value in London, to enact that the sovereign should be legal tender at ten rupees, would be entirely inoperative

But the sovereign must be rated for circulation in India, not with reference to its English, but to its Indian price estimated in silver

This may be at once established by the fact that, if the sovereign were made legal tender in India at the English price of Rs. 10-8 the existing Indian currency would be rapidly revolutionised, and creditors would receive much less than their due.

The value of the precious metals is determined by the same principles as that of other commodities. Gold and silver are cheapest at the place of production, and their price augments in proportion to the charges which have to be incurred in order to lay them down at any given place

Gold reaches India from Sydney and Melbourne by a short and direct route of little more than a month, being transhipped from one line of the Peninsular and Oriental Steamers to another at Galle. Silver is brought from South America by the round-about way of England, charged with the additional freight and interest consequent upon the increased length of the voyage.

Silver is also so much more bulky than gold, that it becomes dearer, by comparison, in proportion as the two metals are removed from their sources of production Thus, although both the precious metals are more valuable with reference to other commodities in the interior of India than they are at the ports, gold is, on account of its superior portability, sent in great quantities to the distant parts of the interior, in preference to silver, to adjust the exchanges, and it is always somewhat cheaper there, estimated in silver, than it is at Calcutta and Bombay

Since the beginning of December last, the average price of the sovereign at Calcutta has been Rs 10-1-3, while, during the same period at Bombay, it has been 10-2-8 * The price of the sovereign had been occasionally lower than this, but it will be seen from the quotations in the Appendix, which have been kindly furnished to me by Mr Dunlop in continuation of those annexed to my previous Minute, that, during nearly a year, these low rates have constantly prevailed, and that the latest tendency is to a further reduction. The large quantity of gold imported during the same period precludes the idea of the quotations referring to isolated or accidental transactions, the importations at Calcutta from the 1st December 1863 to the 31st October 1864 having amounted to £2,383,435, and at Bombay to £4,919,733

The state of the Indian produce markets equally affects both the precious metals Owing to the fall in the price of cotton and other causes, they are likely to be in less demand than they have been, but this will not disturb the local relative value of gold and silver

No reasonable doubt can, I think, be entertained that the sovereign would, under these circumstances, pass current at ten rupees, if it were made a legal tender at that rate. The superior convenience of a gold currency is worth, on an average of all sorts of transactions, at least two per cent, whereas, taking the sovereign at ten rupees, gold would

* This difference of price is attributable to the greater abundance of silver at Bombay and to the circumstance of there being less direct trade between Australia and Bombay than between Australia and Calcutta

be rated only ¾ per cent. below its current market value in reference to silver at Calcutta, and 1¾ per cent. at Bombay For every practical purpose, the case has occurred which was contemplated in the following passage of Sir Charles Wood's despatch, dated the 2nd May 1861 — "I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India (as it is I believe, in Ceylon), but at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign If by any change in the relative value of the two metals, a sovereign and ten rupees were to become of equal intrinsic value the sovereign might readily be introduced, and become the standard coin of India."

This great public question could hardly be in a better position for satisfactory solution. If the sovereign had been worth rather less than ten rupees, it could not have been made a legal tender at that rate because every creditor would have been defrauded to the extent of the difference but being worth more and yet only as much more as would be compensated by the superior advantages of a gold currency, the measure may be safely adopted. The object is not to make a revolution and breach of faith by a sudden flood of gold, but to provide for the *future* as the first Napoleon did half a century before the discovery of the Californian gold fields.

Although a single metal must in every country be ultimately adopted as the standard it may be for the public advantage to pass through a period of double standard in order to change the basis of the currency from silver to gold, provided the new gold currency be properly rated with reference to silver This has taken place of late years without inconvenience and with much general benefit in our West India Colonies the United States, and France and I submit that the altered circumstances of India call for the adoption of a similar arrangement.

The Secretary of State has determined to maintain the practice of issuing notes against bullion at Calcutta, Madras and Bombay, and has now further directed that notes shall be issued against sovereigns without declaring that coin legal tender

The principle of a note currency is that it is the representative of the current legal coin and that not being issuable except in exchange for coin, the mixed currency of notes and coin varies in quantity exactly as if it were wholly composed of coin.

It is true that the Bank of England issues notes upon bullion, but this is a remnant of the original mercantile basis of the English paper currency, and it is attended with this practical convenience, that bullion is used at home as a sort of international currency in adjusting the foreign exchanges In India bullion is imported solely in order to its being converted into coin in the shortest possible time, and the proper place for it is therefore the Mint, and not the Currency Department.

This part of the subject is clearly and correctly explained in the Secretary of State's despatch of the 2nd of May 1861 —"The position of the Government or Currency Commissioners is totally different from that of a great banking establishment like the Bank of England It is no part of the functions of the Government Currency Establishment to hold bullion for the convenience of the merchant To whatever extent this may be necessary or useful in India, it should be done by the Banks of that country It is a part of the banking or trading business of the community The bullion or coin held in the Department of Issue must be held entirely for its own purposes, and be of such a description as to ensure those purposes being answered Now the demand of coin for notes, which is to be anticipated and feared in India is an internal demand, which might occur if distrust of the notes were entertained To meet such a demand, the current coin of the country is the only certain resource If gold were held in the Currency Department, it still must be optional with the person presenting notes to receive it. The only certain security for the convertibility of the note at the office of the issuer is payment in that coin which is legal tender throughout the country"

One main object of a paper currency is to economise the stock of specie, and to restore to reproductive purposes all that is not required to support the paper circulation The Government notes in circulation are now upwards of seven millions sterling The investments in Government Securities amount to little more than three millions The difference between these two sums, or more than four millions sterling, is retained in coin and bullion But, so steady has been the growth of the paper circulation, and so fully has it stood the test of commercial crisis, that much less than four millions sterling would suffice to meet every probable demand if the remainder consisted solely of "that coin which is legal tender throughout the country"

The note circulation of Calcutta and Bombay alone is £6,260,000 The reserves in coin and bullion amount to £3,570,000 But, in order

to assist in meeting the sudden and indefinite demands upon the cash balances arising from the practice which has been recently adopted of cashing Mint certificates at sight, authority has been given for exchanging bullion deposited in the Mint for coin deposited in the Currency Department, to any extent, provided the coin in the latter is not reduced below £800,000 at each place. The actual reserve of coin in the Currency Departments at Calcutta and Bombay is therefore less than the total amount of the deposits of coin and bullion by nearly two millions sterling, the greater part of which might safely be invested in Government securities, and be thereby restored to reproductive purposes in the hands of individuals, if Mint certificates were again made payable after the bullion has been coined, and the deposits in the Currency Department were confined to the current legal coin.

The Secretary of State proposes that bullion should still be received both at the Mint and in the Currency Department, but that "provision should be made by law if necessary, to enable the Government to interpose such interval between the presentation of the bullion and the delivery of the notes as may in the existing circumstances and state of the Mint render it perfectly safe from any demand for coin which it might not have in its power to meet.

If the holders of bullion are to wait until it is coined before they receive its value in coin or in notes which represent coin they may with greater advantage wait at the Mint, whose business it is to convert bullion into coin, than at the Currency Department, whose business it is to exchange notes for coin.

On the other hand if the holders are to have their bullion discounted either at the Mint or the Currency Department before it is coined this can only be done by keeping balances greatly in excess of what is required for the public service No system of finance could without serious loss and danger, stand such a liability as that of having to pay, on demand the value of all the bullion landed on the shores of India What would be thought if it were proposed that the Chancellor of the Exchequer should discount, out of his cash balance at the Bank the whole of the bullion which reaches England?

If these premises are correct it would follow—

1st—That the Assay Departments at the three Indian Mints should be made as efficient as possible so that there may be no unnecessary

delay in delivering Mint certificates, which are negotiable securities, to the holders of bullion.

2nd—That Mint certificates should be payable, as formerly, at twenty days' sight, and

3rd.—That Government Currency Notes should be issued in the Calcutta, Madras, and Bombay Circles, as they are in the circles which have been recently established in the interior, only in exchange for coin which is legal tender.

APPENDIX

Calcutta Quotations for Australian Gold

	22 Carat Bar.		24 Carat Bar.		Sovereigns.
	Per Tolah	Per Ounce.	Per Tolah.	Per Ounce.	
8th December 1863	14 7 0	38 8 0	15 12 0	42 0 0	10 1 6
22nd "	14 6 1	38 5 6⅔	15 11 0	41 13 4	10 1 0
8th January 1864	14 2 1	37 10 10⅔	15 7 0	41 2 8	10 1 0
22nd "	14 7 0	38 8 0	15 12 0	42 0 0	10 1 0
8th February	14 10 8	39 1 9⅓	16 0 0	42 10 8	10 1 6
22nd " "	14 12 6	39 6 8	16 2 0	43 0 0	10 1 6
8th March "	14 11 7	39 4 2⅔	16 1 0	42 13 4	10 1 9
22nd "	14 11 7	39 4 2⅔	16 1 0	42 13 4	10 1 6
8th April "	14 12 11	39 7 9⅓	16 2 6	43 1 4	10 1 0
22nd	14 12 11	39 7 9⅓	16 2 6	43 1 4	10 1 3
8th May "	14 11 7	39 4 2⅔	16 1 0	42 13 4	10 2 0
22nd " "	14 9 9	38 15 4	15 15 0	42 8 0	10 1 3
8th June	14 9 9	38 15 4	15 15 0	42 8 0	10 1 6
21st "	14 7 11	38 10 5⅓	15 13 0	42 2 8	10 2 0
7th July	14 7 11	38 10 5⅓	15 13 0	42 2 8	10 2 0
22nd " "	14 7 0	38 8 0	15 12 0	42 0 0	10 1 0
8th August "	14 10 8	39 1 9⅓	16 0 0	42 10 8	10 1 0
22nd " "	14 7 0	38 8 0	15 12 0	42 0 0	10 0 0
7th September "	14 6 1	38 5 6⅔	15 11 0	41 13 4	10 0 0
21st "	14 6 6½	38 6 8	15 11 6	41 14 8	10 1 6
3rd October	14 6 1	38 5 6⅔	15 11 0	41 13 4	10 2 0
21st "	Doorga Poojah Holidays.				
3rd November "	14 7 11	38 10 5⅓	15 13 0	42 2 8	10 0 6

Bombay Quotations for Australian Gold.

	22 Carat Bar.		24 Carat Bar.		Sovereigns
	Per Tolah	Per Ounce	Per Tolah	Per Ounce	
12th December 1863 ..	14 2 6	37 12 0	15 7 2	41 3 1⅓	10 3 0
28th „ „	14 2 6	37 12 0	15 7 2	41 3 1⅓	10 2 0
13th January 1864 ..	14 2 6	37 12 0	15 7 2	41 3 1⅓	10 1 0
28th „ „	14 7 2	38 8 5⅓	15 12 3	42 0 8	10 3 0
13th February „ .	14 10 3	39 0 8	15 15 7	42 9 6⅔	10 3 0
27th „ „ .	14 2 6	37 12 0	15 7 2	41 3 1⅓	10 2 0
12th March „ ..	14 10 3	39 0 8	15 15 7	42 0 6⅔	10 2 0
28th „ „ ..	14 12 0½	39 5 4	16 1 6	42 14 8	10 2 6
13th April „ .	14 8 1	38 10 10	15 13 3	42 3 4	10 3 0
28th „ „ .	14 10 3	39 0 8	15 15 7	42 9 6⅔	10 2 3
13th May „	14 13 10½	39 10 2⅔	16 3 6	43 4 0	10 2 6
23rd „ „ ..	14 13 10½	39 10 2⅔	16 3 6	43 4 0	10 3 0
8th June „	14 13 10½	39 10 2⅔	16 3 6	43 4 0	10 5 0
23rd „ „ .	14 10 3	39 0 8	15 15 7	42 9 6⅔	10 2 9
8th July „ .	14 13 10½	39 10 2⅔	16 3 6	43 4 0	10 3 0
23rd „ „ .	14 12 0½	39 5 4	16 1 6	42 14 8	10 3 0
8th August „	14 12 0½	39 5 4	16 1 6	42 14 8	10 3 0
23rd „ „	14 12 0½	39 5 4	16 1 6	42 14 8	10 3 0
8th September „	14 13 10½	39 10 2⅔	16 3 6	43 4 0	10 3 0
28th „ „ .	14 12 0½	39 5 4	16 1 6	42 14 3	10 2 3
13th October „ ...	14 10 3	39 0 8	15 15 7	42 9 6⅔	10 2 3
28th „ „ .	14 12 0½	39 5 4	16 1 6	42 14 8	10 2 0

Financial Despatch from the Govt of India, to the Right Hon ble the Secy of State for India,—No 155, *dated 3rd December* 1864

With reference to your despatch No 224, dated the 26th September 1864, we have the honor to forward copies of two Notifications which we have issued, with a view to give effect to your decision that sovereigns and half-sovereigns according to the British and Australian standard may be received at an exchange of 10 rupees and 5 rupees respectively, in payment of Government demands. We also forward a copy of a Minute by the Hon'ble Sir Charles Trevelyan, containing his remarks on the despatch under acknowledgment.

From Geo Dickson, Esq, *Secy and Treasurer, Bank of Bengal to Secy to Govt of India, Finl Dept,—No* 1042, *dated* 17*th March* 1865

By desire of the Directors, I have the honor to send you herewith copy of a Statement which I laid before the Board on the 16th instant, relative to the practical working of Government Notifications No 3517, and No 3518 of 23rd November last, authorizing the receipt of sovereigns and half-sovereigns at the Government Treasuries, and the Offices of Issue of the several Circles of Government, at the rate of ten rupees and five rupees respectively In view of the continued influx of sov*ereigns*, and the probability in that event, of the *surplus supply being* sent to the Mint, the Directors instruct me to submit that the present is a more favorable opportunity for considering what further action may be advisable, than delaying to do so until the *extreme limit* of *gold* deposits which can be held against issues shall have been reached, and the necessity of putting an abrupt termination to existing arrangements by the withdrawal of the privileges allowed by the existing Notifications, be imposed on Government.

2 Under present circumstances and although the demand for sovereigns is gradually increasing, it is clear that they will not be held in *large* quantities, either by European or Native Merchants nor enter into general circulation, so long as an uncertain value attaches to them.

3 With the experience of the past three months before them, the Directors instruct me to state that, in their opinion, the time has come

when sovereigns and half-sovereigns of full weight may, with safety and advantage, be declared legal tender at the respective rates of ten and five rupees

4 The Directors have arrived at this conclusion the more readily because they are of opinion that the timely adoption of such a step will prevent inconvenience to the public and embarrassment to the Government hereafter.

5 Although, doubtless, there are some difficulties to be overcome, the Directors viewing the measure as one for which—after the elaborate discussions that have taken place on the subject—the public are fully prepared, are of opinion that the introduction of the sovereign into the Currency of India will be generally welcomed as a great public boon

6. The Directors are not apprehensive that any derangement of the money market must necessarily follow The measure will be gradual in its operation, and insensibly adapt itself to the expanding requirements of a largely increasing commerce, without detriment to the public creditor or inconvenience to Government

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Note by GEO DICKSON, ESQ, *Secy and Treasurer, Bank of Bengal, on the Receipt and Issue of Sovereigns and Half-Sovereigns, under the recent Orders of Government,—dated* 9*th March* 1865

The following particulars connected with the practical working of the Government Notifications Nos 3517 and 3518 of 23rd November last, authorizing the receipt of sovereigns and half-sovereigns at the Government Treasuries and the Offices of Issue of the several Circles of Government Paper Currency, at the rate of ten rupees and five rupees respectively, are submitted for the consideration of the Board of Directors

Receipts.

Proportions of Receipts through the General Treasury and the Bank

1*st*—We commenced receiving gold on 1st December in payment of Government dues, and also in the ordinary course of business, in the same way as if sovereigns were legal tender Since that date, the total receipts have been .. £ 370,986

of which we took in the Treasury	£	1,612
Over the Bank Counter	,,	369,374
	£	370,986

2nd—Of the above amount about $\frac{5}{6}$ths are Australian sovereigns, and $\frac{1}{6}$th English sovereigns and half sovereigns

Proportions in British and Australian Sovereigns.

3rd—The chief lodgments are by the local Branch Banks of Exchange, who have tendered £309,722 of the whole amount.

Principal lodgments.

Next in amount are the deposits of a very intelligent Jew Merchant, having a large Opium business and also a direct trade with Arabia and Syria viâ Suez, from whence he receives chiefly British sovereigns. Native Merchants also have paid in considerable sums.

Some of the English mercantile houses have made similar payments, part of the amount being gathered in their ordinary collections from the Bazar In short, gold has been paid in by all classes, European and Native

Payments

1st—The gross amount with which we have parted since 1st December last is £179,935, almost wholly over the Bank Counter, except £14,500 sent to our Up-country Branches, and £50,000 to the Mint in exchange for rupees.

Sent to Branches £14 500
Sent to Mint £50 000 on 23rd February
N B.—£130 000, second remittance, sent to Mint not yet credited to Bank.

2nd—Almost without exception the English sovereign is perferred by both Europeans and Natives, to the Australian, the latter being taken only when the supply of English sovereigns is exhausted. *Europeans returning home*, for obvious reasons prefer the English sovereign, and the Natives, because it is more suited to their taste especially when melted or converted into ornaments. The difference intrinsically, if any as regards the alloy, they set little value on

Proportion of British and Australian

3rd—Setting out of the calculation £20,000 paid to the Agra Bank early in December the chief payments have been, 1st, to our Native Bankers for transmission into the interior, and 2nd, to Europeans returning to England, or visitors to the Neilgherries, and travellers by Railway

Chief Payments.

Daily Payments

The average payments, exclusive of sum sent to Branches, but including £20,000 to Agra Bank, were—

	£	
Throughout December	1,017	per diem
Throughout January . .	1,026	,,
Throughout February . .	1,482	,,

The calculation does not include the remittance made to the Mint

Transactions in Gold with Head Commissioner of Currency

Under Notification No 3518, Currency Notes may be issued in exchange for sovereigns and half-sovereigns to an extent not exceeding one-fourth of the total amount of issues represented by Coin and Bullion in each Circle

The latest published Return of the Head Commissioner of Currency shows, that in the Calcutta Circle, the reserves of Silver Coin and Bullion stood as under, viz —

		£
Silver Coin		1,063,177
Silver Bullion		460,000
		£ 1,523,177
One-fourth of which is . .		£ 380,794
On the 23rd February last, when the whole available stock of legal tender Coin in the Bank's vaults fell to £108,000, we sent to the Mint in sovereigns for rupees .	£ 50,000	
And on 8th March . .	,, 150,000	
		200,000
Leaving a margin of only		£ 180,794

for future similar deposits, but of course if Notes and not silver were taken, the paper issues would be correspondingly increased, and a larger proportion of gold than £380,000 might consequently be held But should the flow of gold coin continue steady for a few months longer, it is clear that we shall soon reach the extreme limit, so far as the proportion which can be held in this Circle is in question.

Meanwhile, for current public requirements, we retain in the Bank about £41,000.

Gold sent to Branches

The accompanying Return from Cawnpore Branch, dated 23rd ultimo, shows that on £4,006 told out to the public, £15 16 9 has been realized as exchange, the highest rate being one anna and six pie and the average rate one-half of an anna, equal to 3-4ths of a penny on each sovereign, or rather more than sufficient to cover proportion of the cost of carriage and Railway fare of Officer taking up gold from Head Office

Of the remaining £9,500 distributed among the Branches at Allahabad, Benares and Mirzapore, the whole has been disposed of with the exception of £2,859, the larger proportion of which is still held at Mirzapore. The exchange realized has been under the average of Cawnpore Branch.

The Directors are aware that the object in sending sovereigns to the Branches was not so much for gain as by way of experiment, and in order to test the public requirements

Understanding that a considerable trade in bar gold might be profitably conducted at some of our Up-country Branches I recently addressed a Circular to the Agents on the subject, and at the same time I requested general information regarding the price and circulation of sovereigns within the sphere of the various Agencies For the information of the Directors a copy of the replies received from our Agents at Agra and Cawnpore are appended to this Note. At the former Branch it will be observed the English sovereign is decidedly preferred. As the weight of the tolah appears to vary so much I am not yet in a position to give accurate information regarding fluctuations in value of bar gold in the Up-country Bazars but hope to do so soon.

From a carefully prepared Return in my possession for year ending 31st December 1864, I find that the total imports of gold coin and bullion into Calcutta amounted to £ 2,668,580

Of which we received in Australian gold ,, 2,140,000

Leaving £ 528,580

as the value imported from England, Egypt, and elsewhere.

The subjoined Tabular Statement of the imports and exports of gold to and from the three Presidencies since 1856, when the transactions in that metal first began to bulk largely, may prove interesting

[Sh]owing the Imports and Exports of Gold into and from India, for the years 1856 to 1863
From April to April

Imports.				Exports				Calcutta average Rate of Exchange on England for Bills at 6 months' sight	
Madras	Bombay	Total	Year	Calcutta.	Madras	Bombay	Total	Per Rupee	
£	£	£		£	£	£	£	s	d
[illegible]	1,249,561	2,508,353	1856	100	5	2,003	2,108	2	$1\frac{1}{4}$
[illegible]	1,021,650	2,176,002	1857	66,959	0	17,829	84,788	2	[illegible]
[illegible]	1,515,376	2,830,084	1858	10,726	6,000	285	17,011	2	[illegible]
[illegible]	1,907,099	1,137,339	1859	4,316	5,170	1,400	10,886	2	[illegible]
[illegible]	[illegible]	1,288,037	1860	0	6	3,797	3,803	2	[illegible]
[illegible]	[illegible]	1,212,111	1861	3,138	152	6,282	9,572	2	[illegible]
[illegible]	[illegible]	5,190,132	1862	1,805	500	3,702	6,007	2	[illegible]
[illegible]	[illegible]	[illegible]	1863	13,360	125	19,925	33,410	2	[illegible]
[illegible]	[illegible]	[illegible]		130,734	11,938	55,213	197,885	16	$8\frac{7}{15}$
[illegible]	[illegible]	[illegible]		16,342	1,192	6,902	24,736	2	$1\frac{1}{16}$

Making allowance for the amounts re-transmitted from one Presidency City to another as well as from Ceylon I think it must be apparent that the value of our gold imports in Leaf, Bullion, and Coin is very much larger than is generally supposed.

If, then, we make allowance for the progressive increase at Bombay for 1863 64 a year of unusual commercial activity and prosperity, I do not think I over-estimate the gold imports into India for year ending 31st December 1864 in taking them at from eight to ten millions sterling This calculation is indeed greatly strengthened by the valuable information contained in the Report of Major Ward, of the Royal Mint, Sydney, bearing date 21st December last.

As these questions have an important bearing on the Government paper currency, as well as on the Indian standard of value, it is proposed from time to time to keep the Government advised of any facts connected with them which may come to my knowledge.

Meanwhile if the experience of the last three months can be accepted as a guide for the future it appears sufficiently clear that sovereigns can be supplied at ten rupees, and that if made legal tender, that they will be readily accepted by both Europeans and Natives as a substitute for silver At the same time it is equally clear that the use of the sovereign will not promote the extension of the ten rupee Currency Note, confined as it now is within so many Circles of Issue

One other important fact I may notice, that during the past fortnight, we received in sovereigns upwards of £150 000 which under the Notification, tended to give ease to a stringent money market.

Detailed Statement of Sovereigns sold by Cawnpore Branch

Date		Number of Sovereigns sold	To whom sold	Rate	Amount of Exchange received	Amount of Sovereigns sold
1864						
December	17	100	Rutton Dallal ..	.....		1,000 0 0
,,	,,	100	Jumna Dallal ..	......	...	1,000 0 0
,,	19	50	Shewpershad Khuzanchee	....	...	500 0 0
,,	,,	250	Jowahir .	.	.	2,500 0 0
,,	22	36	Thomas Newton, Esq	6 pie each	1 2 0	360 0 0
,,	23	81	Rutton Dallal .	3 pie each	1 4 3	810 0 0
,,	,,	15	Thomas Newton, Esq	6 pie each	0 7 6	150 0 0
,,	,,	2	Purus Ram	....		20 0 0
,,	24	71	Doorjun Bueparee .	6 pie each	2 3 6	710 0 0
,,	,,	100	Punna Lall Nanik Chund	Ditto	3 2 0	1,000 0 0
,,	27	52	Gunashee Bueparee	Ditto	1 10 0	520 0 0
,,	30	81	Seetul ditto	Ditto	2 8 6	810 0 0
1865						
January	2	85	Doorgapersaud ditto	1 anna each	5 5 0	850 0 0
,,	,,	60	Doorjun ditto	Ditto	3 12 0	600 0 0
,,	,,	48	Seetul ditto	Ditto	3 0 0	480 0 0
,,	3	19	Thomas Newton, Esq	Ditto	1 3 0	190 0 0
,,	,,	65	Doorjun Bueparee .	1 a 3 p each	5 1 3	650 0 0
,,	4	50	Ditto .	1 a 6 p each	4 11 0	500 0 0
,,	,,	50	Goojur Suroff	Ditto	4 11 0	500 0 0
,,	6	25	Sohun Lall	Ditto	2 5 6	250 0 0
,,	9	19	Jumna Dallal ..	1 a 3 p each	1 7 9	190 0 0
,,	10	10	S Thornton, Esq .	1 a 6 p each	0 15 0	100 0 0
,,	12	300	Naraen Suroff .	1 anna each	18 12 0	3,000 0 0
,,	,,	25	Ram Churn ditto	Ditto	1 9 0	250 0 0

Detailed Statement of Sovereigns,—continued.

Date.	Number of Sovereigns sold.	To whom sold.	Rate.	Amount of Exchange received.	Amount of Sovereigns sold.
1865					
January 12	250	Juggunpersaud	1½ anna each	23 7 0	2,500 0 0
" "	150	ditto ..	Ditto	14 1 0	1,500 0 0
" 14	50	Dwarka Dallal	Ditto	4 11 0	500 0 0
" 16	50	Brijlall Bueparee	Ditto	4 11 0	500 0 0
" 17	100	Bhujun Lall Suroff ..	1 anna each	6 4 0	1 000 0 0
19	18	Munnee Dallal	1¼ anna each	1 6 6	180 0 0
	25	Muthoora Suroff	1¼ anna each	2 5 6	250 0 0
	26	Munnee Dallal	1¼ anna each	2 0 6	260 0 0
20	50	Cheadee Lall	Ditto	4 11 0	500 0 0
"	50	Goojur Suroff	1 anna each	3 2 0	500 0 0
" 23	50	Hurbhujun Bueparee ..	6 pie each	1 9 0	500 0 0
"	100	Gunashee Bueparee	Ditto	3 2 0	1 000 0 0
"	43	Jumna Dallal ..	Ditto	1 5 6	430 0 0
" 24	10	Munnee Dallal ...	Ditto	0 5 0	100 0 0
" "	164	Buddree Suroff	3 pie each	2 0 0	1,640 0 0
"	69	Ditto	1 anna each	4 5 0	690 0 0
"	200	Messrs. Begg Maxwell and Co. ..	...		2 000 0 0
25	85	Buttton Dallal	3 pie each	1 6 3	850 0 0
27	20	Munnee Dallal	Ditto	0 5 0	200 0 0
" 30	25	Ditto ...	Ditto	0 6 3	250 0 0
	200	Messrs. Begg Maxwell and Co ...	....		2 000 0 0
February 2	400	Mudaree Lall Bueparee			4 000 0 0
"	300	Nuraen Suroff ...	...		3 000 0 0
" "	50	Purus Ram	...	..	500 0 0
" "	5	Munnee Dallal ...	.....	..	50 0 0

Detailed Statement of Sovereigns,—continued

Date	Number of Sovereigns sold	To whom sold	Rate.	Amount of Exchange received	Amount of Sovereigns sold
1865					
February 4	35	Munnee Dallal .	3 pie each	0 7 9	350 0 0
" 6	40	Gunnessee Beuparee	6 pie each	1 4 0	400 0 0
" 7	99	Nuraen Suroff	3 pie each	1 8 9	990 0 0
" "	100	Kamtapershaud	Ditto	1 9 0	1,000 0 0
" 8	66	Munnee Lall	Ditto	1 0 6	660 0 0
" 9	100	Rutton Dallal	Ditto	1 9 0	1,000 0 0
" "	50	Jumna ditto .	Ditto	0 12 6	500 0 0
" 11	198	Nuraen Suroff	Ditto	3 1 6	1,980 0 0
" "	1	Purmashuree .	..		10 0 0
" 13	50	Shewram Bueparee .			500 0 0
" "	20	Buddree Doss .	......	.	200 0 0
" "	43	Ram Churn Dallal	......	..	430 0 0
Total Sovereigns	4,996	Total Rs	..	58 6 9	49,960 0 0

Equal to 5 annas per cent or an average premium of ½ anna for each sovereign

BANK OF BENGAL,
CAWNPORE,
The 23rd February 1865

D KENNEDY,
Agent

Extract of a letter from the Cawnpore Agent of the Bank of Bengal, to the Secretary and Treasurer, Bank of Bengal Calcutta,—No 2-4, dated 9th February 1865

With reference to your Circular No 4 of 4th instant I beg to state that I believe I could dispose of at least £2 000 worth of gold every month, the practice in the bazar is to pay cash on delivery

The price of gold in the bazar here at present is—

for 22 carats fine,	Rupees 17	per tolah or	Rupees 15-5	per Bhurree	
23	do	, 17 4	do or	,, 15 9	do
24	do	, 18	do or	, 16-4	do and

of the latter there is none for sale in our bazar at present. I am told the range in prices is seldom or never more than four annas per tolah.

Some of the shroffs tell me that rupees 20 000 worth of gold could be sold in the bazar here to-day for cash at the above prices.

From THOMAS DYSON, ESQ *Agent, Bank of Bengal Agra to Secy and Treasurer, Bank of Bengal Calcutta,—No* 3 12 *dated 20th February* 1865

In answer to the enquiries made in Circular No 4 I beg to submit the following information on the questions raised.

The demand for gold for local use is very slight so much so that the Branch Kharanchee estimates the aggregate monthly sales at 200 *tolahs*, but this is mere conjecture

The descriptions most readily saleable are China leaf gold (so it is described to me) branded 100 and English sovereigns, the prices at date *being*, respectively, rupees 16-12-0 the Agra tolah and rupees 10 1 6 the sovereign.

The Agra tolah weighs 2¼ ruttees more than the Company's *tolah* of one rupee weight, and this gives a rate for the latter of Rs 16 15 0

The price *of sovereigns* appears never to fall below Rs. 10 simply that they remain intact as sovereigns in the hands of the shroffs and this class will not part with them for less on leaving the shroffs hands, the sovereigns are melted down

The price of gold per tolah fluctuates greatly; thus, during the famine in these Provinces, it fell to Rs. 14, the ryots disposing of their ornaments to buy food, while during the height of the cotton mania, it rose to Rs 18, the ryots being in a position to purchase largely, gold in their estimation being the most eligible form of investment.

Apart from local requirements, I could possibly dispose of 1½ to 2 lakhs a month just at present, for Delhi and other Up-country cities.

Our rate is now Rs 10-1-6, and if sovereigns can be procured in Calcutta on the same terms, a remittance would pay the Bank, as taking the cost of a silver remittance at eight annas per cent, there would be at least a profit of seven annas, as the outside cost of a gold remittance would not exceed one anna

I think this Branch should be placed in funds by a remittance of English sovereigns, whenever procurable in Calcutta at par.

The Australian sovereigns do not find favor with jewellers and goldsmiths here

The tolahs of Mirzapore, Benares, Delhi, &c, are all different, and this renders the gold quotations somewhat puzzling

I do not consider any advantage would be gained by disposing of sovereigns for Bills payable one month after delivery, as the Kootees whose promissory notes could be safely taken, would purchase on speculation for sale elsewhere, and being wealthy enough to pay cash, would not care to enhance the price by one month's interest, at least so the Branch Khazanchee reports Should the Bank establish Branches at Delhi and Umritsir, a profitable business in gold could be done, the consumption for jewellery in the former city being very great, while, in the latter, gold is taken by traders from Cabool and Bokhara, and I believe Persia

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From E D J Ezra, Esq., *Arab Merchant, to Secy and Treasurer, Bank of Bengal, Calcutta,—dated* 9*th March* 1865

The sovereigns paid by us to the Bank of Bengal are received from our constituents at Egypt, Damascus, Beyroot, Alleppo, &c They are sent for the purchase of indigo and Dacca piece goods The sovereigns received by us are mostly English Some of them are insured, and some are not

From E H LUSHINGTON, ESQ, *Secy to Govt of India, Finl Dept, to Secy and Treasurer, Bank of Bengal,—No* 1662, *dated 23rd March* 1865.

I am directed to acknowledge the receipt of your letter No 1042, dated 17th instant, with your accompanying Memorandum, *reporting* by desire of the Directors, the result of the transactions at the Bank of Bengal under the Government Notifications of November last, authorising the receipt of sovereigns and half sovereigns in the Treasuries and Currency Offices at the respective rates of ten and five rupees, and I am instructed by the Governor General in Council to request that you will convey to the Directors his thanks for this interesting and important communication

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Financial Despatch from the Govt of India to the Right Hon'ble the Secy of State for India,—No 56, *dated* 21*st March* 1865

We have the honor to transmit a copy of a communication which we have received from the Directors of the Bank of *Bengal*.

2 The Government Notification of the 23rd of November last, authorizing the receipt of sovereigns and half-sovereigns at the Treasuries at the respective rates of ten and five rupees, was adopted by the Bank as the rule for the whole of their transactions and this letter reports the result up to a recent date and expresses the opinion of the Directors that the time has arrived when the sovereign and half-sovereign ought to be declared legal tender at the above-mentioned rates

3 It will be seen that up to the 9th instant the total receipts at the Bank in these coins amounted to £370,000 and that although payments had likewise been made to a considerable amount sovereigns accumulated to an inconvenient extent in the hands of the Bank and 200,000 were therefore transferred to the Calcutta Currency Office in exchange for rupees.

4 Owing to further expected arrivals of sovereigns from Australia, the proportion of one-fourth of the total amount of issues represented by coin and bullion, which can by law be received in gold coin in the Currency Department, is likely soon to be completed and, in order that the balances of the Bank and of the Government may not be composed of a coin which cannot be relied upon as a circulating medium owing to its not being a legal tender it will then become necessary either to go forward to convert the experimental measure of making the sovereign

receivable in the Treasuries and Currency Offices at ten rupees into the substantive one of making it a legal tender at that rate, or to take the retrograde step of withdrawing the Notification authorizing the sovereign being received at ten rupees, or modifying it by making the sovereign receivable at a lower rate

5. Although the sovereign still commands, under certain circumstances, a small premium over ten rupees in the interior of the Bengal Presidency, it has been paid at the last-mentioned rate into the Allahabad, Lahore, and Nagpore Currency Offices, as well as into many of the Treasuries The sums held in sovereigns at the above-mentioned Currency Offices on the 15th instant, the date of the Return last received, were—

Lahore	13,350
Allahabad .	690
Nagpore .. .	80

6 As it has now been proved that to declare the sovereign a legal tender at ten rupees would not be inoperative in a great part of India, as the local relative value of the gold and silver coin could hardly be more favourable for the safety and gradual progress of the change, and as the measure has been shown to be urgently required to prevent great practical inconvenience, we are of opinion that sovereigns and half-sovereigns according to the British and Australian standard, coined at any properly authorized Royal Mint in England, Australia, or India, should be made legal tender throughout the British dominions in India, at the rate of one sovereign for ten rupees, as recommended in our letter dated the 14th of July 1864, No 89, and we request the sanction of Her Majesty's Government for giving legislative effect to this arrangement.

Financial Despatch from the Right Hon'ble Sir Charles Wood, Bart, G. C. B, *Secy of State for India, to His Excellency the Right Hon'ble the Governor General of India in Council,—No* 124, *dated* 17*th May* 1865

I have considered in Council your Financial letter dated the 21st March 1865, No 50, forwarding copy of a letter from the Secretary of the Bank of Bengal with enclosures relative to the effect of the Government Notification of the 23rd November last, authorizing the receipt of sovereigns and half sovereigns at the rates of Rs 10 and Rs. 5 respectively, and expressing your opinion that the time has arrived when sovereigns and half-sovereigns coined at any properly authorized Royal Mint in England, Australia, or India, should be made legal tender throughout British India at the rates above specified

2 It appears from the papers forwarded by you that from the 1st December 1864 to the 9th March 1865, the Bank of Bengal had received sovereigns and half-sovereigns to the amount of £370 980 and had parted with £129 935 almost wholly over the Bank counter except £14 500 sent to the Bank's Up-country Branches The Bank had also sent £200,000 to the Mint, in exchange for rupees retaining about £41 500 for current requirements.

3 It also appears that at Cawnpore 4 996 sovereigns were sold at the Bank at premiums varying from 3 pies to 1½ anna on each sovereign, and that sales had been made at the Bank's Branches at Allahabad, Benares and Mirzapore, at an exchange somewhat below the average of the Cawnpore Branch. Sovereigns had, however been paid to a small amount at the rate of Rs. 10 into the Lahore, Allahabad, and Nagpore Branches.

Lahore	£13,350
Allahabad	690
Nagpore	50

4 You consider that these facts prove that "to declare the sovereign a legal tender at ten rupees would not be inoperative in a great part of India, as the local relative value of the gold and silver coin could hardly be more favourable for the safety and gradual progress of the change, and as the measure has been shown to be urgently required to prevent great practical inconvenience,' you ' are of opinion that sovereigns and half-sovereigns, according to the British and Australian standard coined at any properly authorized Royal Mint in England Australia or India, should be made legal tender throughout the British Dominions in India at the rate of one sovereign for ten rupees, as

"recommended in" your "letter dated the 14th July 1864, No 89, and" you "request the sanction of Her Majesty's Government for giving legislative effect to this arrangement."

5 In my Financial Despatch dated the 26th September 1864, No 224, which authorized the receipt of the sovereign in the Government Treasuries in India as the equivalent of ten rupees, I pointed out the grounds on which I considered that it would be inexpedient, at any rate for the present, to make that coin a legal tender Its receipt was consequently sanctioned only as an experiment, and the time that has yet elapsed is not sufficient to ascertain how far it would circulate at the rate of ten rupees

6. The papers which you have now forwarded do not appear to me to shew that the time has arrived for taking any further step, or that the measure which you propose would be attended with any advantage. The fact that without being legal tender at any fixed rate, sovereigns have been sold at Branches of the Bank of Bengal at a premium, does not appear to me to support your proposition.

7. The sovereign is at present intrinsically worth more than ten rupees, and although circumstances may render it occasionally convenient to individuals to pay it at that rate into the Government Treasuries, the purchase of the coin at a premium by the public at certain Branch Banks, is sufficient proof that its real value is well understood

Your apprehension that inconvenience may result from the accumulation of sovereigns in the Calcutta Currency Office, appears not to be well founded In the present state of the exchanges, the sovereign will give a more favorable remittance to this country than can be obtained here by our drawing bills on your Government, and I therefore request that you will transmit overland whatever amount of sovereigns there may be inconveniently accumulated in your Departments To whatever extent you may remit sovereigns, you will be relieved from the necessity of paying our Bills in silver

From R P HARRISON, ESQ, *Acctt Genl to the Govt of India, to Secy to Govt of India, Finl Dept,—No* 623, *dated 7th September* 1865

With reference to your Telegram of the 1st instant, and to my reply of the 5th idem, I have the honor to submit copy of a letter of this date from the Secretary and Treasurer of the Bank of Bengal, reporting the arrangements which he has made for sending 16 lakhs of sovereigns to England by the Steamer *Mooltan*

I have approved of these arrangements, which have been made after personal communication with Mr Dickson.

From GEO DICKSON ESQ *Secy and Treasurer, Bank of Bengal, to Acctt Genl to the Govt of India —dated 7th September* 1865

I have the honor to inform you relative to our demi-official correspondence that subject to your approval I have made the following arrangements for sending 16 lakhs of sovereigns to the Bank of England on account of Her Majesty's Secretary of State for India per the Peninsular and Oriental Steam Navigation Company's Ship *Mooltan* which sails to-morrow, viz —

Freight for the whole 16 lakhs deliverable at Bank of England	2 per cent
Insurance by London and Oriental Steam Transit Insurance Company on	8 lakhs, 1¼ per cent.
Insurance by Messrs Jardine Skinner & Co Agents for Triton, Canton, Bombay Ocean and Alliance Marine Insurance Offices	4 „ 1 ,
Insurance by Messrs Shand, Fairlie & Co Agents for Hong Kong Insurance Company	2 „ 1 ,
Insurance by Messrs. Mackillop, Stewart & Co, Agents for the London Assurance Corporation	2 1 ,
Union Insurance Society of Canton London and Provincial Insurance Company	2 , 1 „

The various policies will cover risks until delivery of the coin at the Bank of England.

The remittance is contained in 10 boxes made to measurement furnished by the P and O Company

Each box contains 16 bags of £1,000 each, and is sealed with the bank's seal. The boxes are numbered respectively from No. 1 to No. 10, and bear the following address —

[B of E] Nos 1, 2, 3, 4, 5, 6, 7, 8, 9, 10.

Precautions have been taken to secure the boxes by iron clamps and screw nails, and two seals are placed on each box.

I shall advise the Bank of England *viâ* Marseilles of the despatch of the remittance, enclose Bills of Lading and shipping documents, and also Telegraph by Indo-European Line, lest by an accident the advice by Marseilles should miscarry. Every care has been taken in making up the remittance, but it would be satisfactory were you to send over some trustworthy Officer to see each bag weighed, placed in the boxes, and nailed down before they leave the Bank, meanwhile I have arranged with Captain Paterson that he will give us the use of his larger boxes for doubly securing the gold, and that one of the officers of his Company (Mr Parker) is to be in attendance to see each bag weighed and deposited in the respective box before being screwed down, and sealed and placed within the large box Delivery will be given to-morrow morning, and a guard of Sepoys will accompany the remittance to the Steamer's side A Chief Officer of the Peninsular and Oriental will go to the Bank of England from Southampton along with the large chest in which the smaller boxes will be packed

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Financial Despatch from the Govt of India, to the Right Hon'ble the Secy. of State for India,—No. 152, *dated Simla,* 18*th September* 1865.

In continuation of our Secretary's Telegram dated 7th September 1865, we have the honor to forward the papers noted in the subjoined list relative to the arrangements made by the Secretary and Treasurer of the Bank of Bengal for sending 1,60,000 sovereigns to England by the Steamer *Mooltan,* which sailed on the 8th instant

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List of Papers

Copy of a letter from the Accountant General to the Government of India, No. 623, dated 7th September 1865, with its enclosure

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From R P HARRISON, ESQ, *Acctt Genl to the Govt of India, to Secy to Govt of India, Finl Dept*

In continuation of my letter No 623, dated the 7th instant, I beg to forward copy of one from the Secretary and Treasurer, Bank of

From R P HARRISON, ESQ, *Acctt Genl to the Govt of India, to Secy to Govt of India, Finl Dept,—No 623, dated 7th September* 1865

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I have approved of these arrangements, which have been made after personal communication with Mr Dickson

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From GEO DICKSON, ESQ, *Secy and Treasurer, Bank of Bengal, to Acctt Genl to the Govt of India —dated 7th September* 1865

I have the honor to inform you, relative to our demi-official correspondence, that subject to your approval I have made the following arrangements for sending 16 lakhs of sovereigns to the Bank of England on account of Her Majesty's Secretary of State for India per the Peninsular and Oriental Steam Navigation Company's Ship *Mooltan* which sails to-morrow viz —

Freight for the whole 16 lakhs deliverable at Bank of England	2 per cent.		
Insurance by London and Oriental Steam Transit Insurance Company on	6 lakhs,	1¼ per cent	
Insurance by Messrs Jardine, Skinner & Co., Agents for Triton, Canton, Bombay Ocean, and Alliance Marine Insurance Offices	4	1	„
Insurance by Messrs. Shand, Fairlie & Co, Agents for Hong Kong Insurance Company	2 ,	1	,
Insurance by Messrs. Mackillop Stewart & Co, Agents for the London Assurance Corporation	2 ,	1	,
Union Insurance Society of Canton, London, and Provincial Insurance Company	2 „	1	

The various policies will cover risks until delivery of the coin at the Bank of England.

The remittance is contained in 10 boxes made to measurement furnished by the P and O Company

Each box contains 16 bags of £1,000 each, and is sealed with the bank's seal The boxes are numbered respectively from No. 1 to No 10, and bear the following address —

[B of E] Nos 1, 2, 3, 4, 5, 6, 7, 8, 9, 10.

Precautions have been taken to secure the boxes by iron clamps and screw nails, and two seals are placed on each box

I shall advise the Bank of England viâ Marseilles of the despatch of the remittance, enclose Bills of Lading and shipping documents, and also Telegraph by Indo-European Line, lest by an accident the advice by Marseilles should miscarry Every care has been taken in making up the remittance, but it would be satisfactory were you to send over some trustworthy Officer to see each bag weighed, placed in the boxes, and nailed down before they leave the Bank, meanwhile I have arranged with Captain Paterson that he will give us the use of his larger boxes for doubly securing the gold, and that one of the officers of his Company (Mr Parker) is to be in attendance to see each bag weighed and deposited in the respective box before being screwed down, and sealed and placed within the large box Delivery will be given to-morrow morning, and a guard of Sepoys will accompany the remittance to the Steamer's side. A Chief Officer of the Peninsular and Oriental will go to the Bank of England from Southampton along with the large chest in which the smaller boxes will be packed.

Financial Despatch from the Govt of India, to the Right Hon'ble the Secy. of State for India,—No 152, *dated Simla, 18th September* 1865.

In continuation of our Secretary's Telegram dated 7th September 1865, we have the honor to forward the papers noted in the subjoined list relative to the arrangements made by the Secretary and Treasurer of the Bank of Bengal for sending 1,60,000 sovereigns to England by the Steamer *Mooltan,* which sailed on the 8th instant

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List of Papers

Copy of a letter from the Accountant General to the Government of India, No. 623, dated 7th September 1865, with its enclosure

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From R P HARRISON, ESQ, *Acctt Genl to the Govt of India, to Secy to Govt of India, Fnl Dept*

In continuation of my letter No 623, dated the 7th instant, I beg to forward copy of one from the Secretary and Treasurer, Bank of

Bengal, No 2083, dated 9th idem, reporting the shipment of Australian sovereigns amounting to Rs. 10,00,000, for the Right Hon'ble the Secretary of State

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From GEO DICKSON, ESQ, *Secy and Treasurer, Bank of Bengal, to Acctt Genl to the Govt of India,—No* 2983, *dated 9th September* 1865

In continuation of my letter of the 7th instant, I now beg to advise having shipped per Steamer *Mooltan,* which sailed this morning, the ten boxes of Australian sovereigns amounting to Rs. 10 00,000

The remittance has been put up as already described, and I have forwarded the Bill of Lading and Policies of Insurance to the Bank of England, in whose favor they have been made out.

I annex a List of the several policies, all of which are payable in London at the exchange of 2*s* 1*d* per rupee, the difference in this respect, in case of loss, being more than sufficient to cover the freight, insurance, and other charges

I will send you hereafter a detailed List of all charges in connection with the shipment.

MEMO OF POLICIES.	Rs
London and Oriental Steam Transit Insurance Company	3,00 000
Hong Kong Insurance Company	2 00 000
Alliance Marine Assurance Company	2 00,000
Ocean Marine Insurance Company of Bombay	50,000
Bombay Insurance Society	25 000
Canton Insurance Office	50,000
Triton Insurance Company	75,000
London and Provincial Marine Insurance Company	50,000
Union Insurance Society of Canton	50 000
London Assurance Corporation	1,00 000
Rs	10 00,000

Financial Despatch from the Govt. of India, to the Right Hon'ble the Secy. of State for India,—No. 156, dated Simla, 25th September 1865

In continuation of our Despatch No. 152, dated 18th September 1865, we have the honor to forward a further communication* from the Accountant General to the Government of India, regarding the shipment of Australian sovereigns amounting to Rs 16,00,000 for England per Steamer *Mooltan*

* Dated 12th September 1865.

Financial Despatch from the RIGHT HON'BLE SIR CHARLES WOOD, BART., G. C. B., *Secy. of State for India, to His Excellency the Right Hon'ble the Governor General of India in Council,—No.* 267, *dated 30th November* 1865.

With reference to your Financial letters dated the 18th and 25th September 1865, Nos. 152 and 156, advising the shipment of 160,000 Australian sovereigns by the Steamer *Mooltan* and the rates of Insurance paid thereon, I have to acquaint you that the sovereigns in question were duly delivered at the Bank of England, and were disposed of at the rate of £4-17-9¾* per ounce, the sum realized amounting to £159,857-14-2.

* This is probably a clerical error for £3-17-9¾

From Secretary to the Bengal Chamber of Commerce, to E H LUSHINGTON, Esq, *Secretary to the Government of India, Financial Department,—Dated 23rd January* 1866

I am directed by the Committee of the Bengal Chamber of Commerce to again bring under the consideration of the Government of India the important question of the legalisation of a gold currency for India.

2 This subject formed the substance of a communication which I had the honor to address to you under date the 19th February 1864 Communications on the same subject were also, about the same time forwarded to the Government of India by the Chambers of Commerce of the other Presidencies and by the Bombay Association. These representations were favorably received by the Government of India, and resulted in an elaborate Minute by Sir Charles Trevelyan, recommending that, as a tentative measure, sovereigns coined in the British and Australian Mints should be declared to be legal tender throughout British India as the equivalent of ten rupees, which recommendation was concurred in by the Government of India, and was submitted for the sanction of the Right Honorable the Secretary of State

3 This proposal failed to meet the approval of Sir Charles Wood, who on the ground that relatively with silver the sovereign was worth more than ten rupees, and that any enactment with the view of constituting it a legal tender at that rate must consequently be inoperative, considered it inexpedient that such law should be passed. He, however, sanctioned as an experimental measure that sovereigns of current weight coined at any properly authorised Mint in England or Australia might be received into all treasuries of India as the equivalent of ten rupees.

4. A Notification to this effect was issued by the Financial Department in November of the same year, and under its provisions considerable sums were tendered to the Currency Department in exchange for notes at the equivalent of ten rupees for each sovereign, but owing to their not being declared a legal tender, these coins did not pass into general circulation, and having ultimately accumulated to an inconvenient extent in the Currency Department, were shipped to England on account of Government

5 The Chamber did not hesitate to attribute this failure of the attempt to establish a gold currency to the refusal of the Secretary of State to permit it to be declared a legal tender Had the recommenda-

tions of the Government of India been sanctioned by Sir Charles Wood, the sovereign would everywhere throughout India have been freely accepted as the equivalent of ten rupees, and these coins would thus have been maintained in active circulation, which can never be the case so long as they are not declared to be legal tender, and then compulsory receipt is limited to those cases in which they are tendered in satisfaction of Government demands.

6. The Chamber is still of opinion that, as a preliminary and tentative measure, the legalisation of the sovereign as a tender for ten rupees is the best measure which can be adopted with the view of again introducing a gold currency into India. They by no means look upon it as a final measure, but as one which, whilst affording considerable relief to the operations of commerce, may be safely adopted without causing apprehensions of any serious disarrangement in the money markets of Europe.

7. The subject of a gold currency is, however, of such vast importance, considering the large amount of specie which India will inevitably absorb during the next few years, whilst prices of cotton may be expected to rule abnormally high, that I am directed respectfully to suggest that a full enquiry into the whole question should be instituted by Government, and to suggest further that such enquiry could be best conducted by a mixed commission of Government officers and members of the commercial community and others, and to pray that such commission may be appointed with instructions to take evidence where necessary, and to report fully on the subject in all its bearings.

8. I am directed further to suggest that if such commission is appointed they may be instructed also to report on the practicability of modifying the circle system as at present carried out, so as to secure for the Government Paper Currency a wider and more general circulation than it at present enjoys outside the presidency towns.

From E H LUSHINGTON, Esq, *Secretary to the Government of India, Financial Department, to the Chamber of Commerce, Calcutta,—No* 544, *dated* 1*st February* 1866

In reply to your Secretary's letter of 23rd January 1866, I am desired to state that the Governor General in Council concurs in thinking that the state of the currency may properly form the subject of enquiry by a commission constituted as you suggest, but that in the

opinion of the Government, the attention of such a commission should, without excluding from its consideration the expediency of making the sovereign or a gold coin of any other denomination a legal tender, be directed, in the first instance, to the operation of Act XIX of 1861

2 In conformity with this view, arrangements are in progress for the appointment of a commission, and I am requested to inform you that the Governor General in Council will have much pleasure in appointing to the commission any two members of the mercantile community whom you may nominate

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From the Secretary to the Bengal Chamber of Commerce, to E H LUSHINGTON Esq, *Secretary to the Government of India, Financial Department,—Dated* 3rd *February* 1866

I have the honor to acknowledge the receipt of your letter No 544, of the 1st instant, and beg to inform you that the Committee of the Chamber of Commerce have nominated the Honorable John N Bullen President of the Chamber and the Honorable David Cowie as members of the Currency Commission which is about to be appointed by Government to enquire into the state of the currency

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Resolution by the Government of India, Financial Department,—No 592, *dated* 3rd *February* 1866

Read again the following correspondence regarding the working of *the Paper Currency* —

From the Chamber of Commerce, dated 23rd January 1866.				
To	Ditto,	No. 544, dated 1st February	„	
From	Ditto,	dated 3rd	„	„

The Governor General in Council observes that the memorial of the Chamber of Commerce is in consonance with the views which the Government had under consideration.

The sense of the commercial community, as well as of the Government of India, has been repeatedly declared in favor of a gold currency, but the Secretary of State has not as yet been satisfied that the attempt would be expedient or practicable Instead of a gold a paper currency has been introduced in the expectation that it would prove a more convenient and acceptable circulating medium than either of the precious metals.

After the experience of nearly five years, it is now desirable to enquire whether this expectation has been fulfilled. The enquiry should

be, in the first instance, an enquiry into the operation of the Paper Currency Act, and not, as the Chamber of Commerce propose, an enquiry as to the expediency of introducing gold into the monetary system of India. It must be shewn that paper has not proved, and is not likely to prove, a circulating medium adequate to the wants and suitable to the habits of the country, before an endeavour is made to introduce gold in supersession of, or in addition to, paper.

The Governor General in Council has accordingly determined to appoint a Commission consisting partly of official and partly of mercantile gentlemen to enquire into, take evidence, and report upon the operation of the Paper Currency Act, upon any improved arrangements, including the introduction of notes of the denomination of five rupees, by which it could be rendered more effective, and upon any extension of the monetary system which the increasing commerce and prosperity of the country may seem to require. The Commission will be constituted as follows:—

President

His Excellency General Sir W. R. Mansfield, K.C.B.

Members

Honorable H. S. Maine.
Honorable W. Grey.
Honorable J. N. Bullen.
Honorable D. Cowie.
Mr. E. H. Lushington.
Mr. G. Dickson, Secretary, Bank of Bengal.
Mr. W. Anderson, Manager, Oriental Bank.
Mr. H. G. Dunlop, Manager, Agra and Masterman's Bank.

Secretary

Mr. D. R. Onslow.

Ordered that this Resolution be communicated to the President and Members of the Commission, and to the Secretary of the Commission, and be published in the *Gazette of India*.

From D. R. ONSLOW, Esq., *Secretary to the Currency Commission, to the Secretary to the Government of India, Financial Department,—No. 2B, dated 4th October* 1866.

I have the honor to forward, for submission to His Excellency the Governor General in Council, the report of the Commission to enquire

into the operation of Act XIX of 1861, which conveys the conclusions arrived at by the Commission, after due consideration of a mass of evidence collected orally from witnesses, and by correspondence with every quarter of British India.

The report is forwarded without the large appendices containing the evidence, as a considerable time must yet elapse before the volumes can be passed through the press

Notwithstanding however, the appearance of incompleteness which a report thus forwarded presents, I am desired by His Excellency the President to say that it has appeared on the whole to be expedient to submit the report in this form without further delay with regard to the interest felt in the matters enquired into by the Commission

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Report of the Commission to enquire into the operation of Act XIX of 1861

The Commission have understood that the principal object set before them, under the orders of the Government of India was to obtain information from all available sources regarding the operation of the existing currency arrangements which were established under Act XIX of 1861

2 A second matter was incidentally submitted to their consideration *viz*, what may be the advantage, as based on expediency of the introduction of the legal tender of gold into India, in addition to that of silver

3 Accordingly, with respect to these two points, an examination of such witnesses as were available at Calcutta in the spring of 1866 took place during that season. Series of questions were subsequently addressed to the several Governments, Administrations Commissions, and Collectorates throughout India, as also to the several Banking Corporations.

4 The result has been the collection of a very large mass of evidence, which is set out in full in the addenda of this report. A précis of the several sets of answers thus obtained is annexed

5 The chief duty of the Commission may, perhaps, therefore be held to have been performed in submitting to the Government of India the evidence thus collected

6 This having been done, it seems convenient to shew the general results. The questions, as above referred to, are accordingly set out with a brief epitome of the précis of the answers, it being observed that the depositions of the authorities consulted at Calcutta are corroborated in all essential particulars by the information obtained elsewhere

Circular to the Officers in charge of Treasuries	*Epitome of Mr Onslow's Précis*
Question No 1—Are Government Currency Notes readily received and paid away by the native community at their full value in private monetary transactions?	*Answer No* 1—A general negative, except in Presidency Towns and centres of note circulation
Question No 2—If not, what is the reason for their depreciation, and what is the average rate at which they are discounted?	*Answer No* 2—Want of facilities for convertibility Distrust in the native mind Discount charged in the bazars at various rates by the Shroffs when changing the notes for coin If notes are lost or destroyed by accident, difficulty in obtaining duplicates Silver and gold are preferred
Question No 3—What facilities are afforded by Officers in charge of Government Treasuries for the exchange of currency notes for silver, and silver for notes?	*Answer No* 3—Notes generally given for cash, but the reverse does not take place, except for the convenience of travellers At some stations, exceptionally as it were, cash is, however, given for notes The rules issued by the Accountant General are followed Notes received in payment of land revenue The supply of notes too limited at some stations It is also said that there are less facilities permitted now than was formerly the case,—*Vide* Kistna, Oomrawuttee, Purneah
Question No 4—Are these facilities sufficient, if not, what means can you suggest for increasing them?	*Answer No* 4—That Currency Department and Presidency Banks be authorized to pay silver for notes That notes of each separate Circle should be payable on demand at any Treasury within the Circle That present restrictions should be removed, so that notes may be issued and cashed at all British Treasuries Some think that present facilities are sufficient Officers should be permitted to cash notes to the extent to which their resources may permit The establishment of offices of Sub-Issue would facilitate transactions—*See* Bulloah Notes should be declared legal tender in Candeish Restrictions with regard to notes being used for remittances should be removed Notes of low value should be freely cashed by Treasurers A maximum of notes in store might be fixed, when notes in store reach that maximum, encashment to be refused—*See* Ghazeepore Notes should be entrusted to Tehseeldars for sale An universal note is advocated—*See* Lullutpore Would make Berar a centre of currency—*See* Oomrawuttee The Accountant General should cease from interferences, and allow Treasury Officers more latitude—*See* Purneah
Question No 5—Do you consider the present arrangement of Circles, with a separate note for each Circle, well calculated to promote the reception of paper currency by the native population, and would you retain it?	*Answer No* 5—The unanimity and the decision of the answer in the negative to this question is very remarkable.

Circular to the Officers in charge of Treasuries —contd.	*Epitome of Mr Onslow's Précis*.—contd.
Question No. 6.—If not, would you propose to increase the number of Circles (still retaining the plan of a separate note for each Circle) and if so to what extent? Or keeping the present number of mal Circles, would you establish Offices of Sub-Issue at the chief local Treasuries within each Circle where the note should be convertible on demand as at the Head Office of Issue of the Circle?	*Answer No* 6—Some would retain Circles and establish Offices of Sub-Issue where notes could be cashed. Others think there should be one note convertible at every Treasury Others, that notes of inferior denomination should be convertible at all Treasuries, but that notes of a high one should be only cashed in their own Circle. Others, that there should be one note for each Presidency cashable at all Treasuries within the limits of the latter Abolish the Circles. Notes of every Circle should be payable on demand at the Presidency Towns and at specified Treasuries where trade exists.—See Poonah.
Question No 7—Or would you prefer the plan of having one universal note for all India, to be convertible only at the Presidency Towns and at certain specified Treasuries? Or is there any other plan you would recommend? N.B—In replying to these last three questions, please to state fully the grounds on which you give preference to one plan rather than to the others, specially with reference to the important object of establishing Paper Currency in the confidence and liking of the natives.	*Answer No* 7—Yes; convertible at Presidencies and principal Treasuries. Others, in favor of universal notes convertible at all Treasuries. Others, note for each Presidency Note to be inconvertible but legal tender; the issue not to exceed one year's revenue of the Empire. Great preponderance in favor of one universal note, if readily convertible
Question No. 8.—Would you propose a note of the value of five rupees; and if so on what grounds?	*Answer No* 8.—Opinions much divided on this point, though the preponderance is somewhat in favor of a 5-rupee note
Question No 9—Are you of opinion that the 5-rupee note would have a larger currency than notes of a greater value?	*Answer No* 9—Opinions evenly divided.
Question No 10—Are notes used much by the Shroffs and Native Bankers for purposes of remittance?	*Answer No* 10.—Yes at certain places and centres of commerce; but—No, at the great majority of stations The practice clearly depends on the convenience or possible profits of the Native Bankers.
Question No 11—Is it the practice of the Shroffs and Native Bankers to exact discount in all cases of cashing notes?	*Answer No* 11.—The answer in the affirmative is almost unanimous.
Question No. 12—Do the Shroffs and Native Bankers buy up the notes at a discount for the purpose of sending them to the head-quarters of Circles for encashment?	*Answer No* 12.—The answer is generally negative; but there are a few exceptions which are not unimportant, and perhaps have caused the alarms of the Accountant General
Question No 13.—Do the Shroffs and Native Bankers prefer the note to hoondees for purpose of remittance?	*Answer No* 13.—Answers negative with very few exceptions.
Question No. 14.—If your silver reserve runs very low, owing to a large number of currency notes being presented for cash, what facilities by rail or road have you for reinforcing the reserve and to what Department or Treasury would you first apply?	*Answer No* 14.—For answers, see Précis; each station having to answer with regard to its own facilities of communication with others.

Circular to the Officers in charge of Treasuries—contd

Question No 15—Has your Treasury been unable to meet the public demand for Paper Currency in consequence of your indents for notes not having been complied with?

Question No 16—If so, what reasons have been assigned for the refusal to comply with your indents?

Question No 17—What average value does the Government gold mohur bear in the bazars in your neighburhood?

Question No 18—What average value does the English sovereign bear in the bazars in your neighbourhood?

Question No 19—What average value does the Australian sovereign bear in the bazars in your neighbourhood?

Question No 20—Do you think that the coins above mentioned generally bear a higher value in Mofussil bazars than in the Presidency Towns?

Question No 21—If so, what is the cause?

Question No 22—Are the people fond of gold for the purposes of hoarding and circulation?

Question No 23—Would the natives like a gold currency?

Question No 24—Are gold coins of Rs 15, 10, and 5 likely to find more favor in their eyes than notes of like value?

Question No 25—Would a gold currency help the establishment of a Paper Currency, gold being held as a reserve by traders and others, and the notes passing from hand to hand for circulation when people become accustomed to them?

Question No 26—Would a gold currency assist the outlying Treasuries in ensuring the convertibility of the note?

Question No 27—What is the opinion of large Shroffs and Dealers on Currency? Do they prefer a Silver Currency alone, or silver and paper as it at present exists, or silver, gold, and paper?

Question No 28—Does bar gold circulate in your neighbourhood, if so, how is its purity ensured?

Question No 29—Are native gold mohurs much used by Natives as means of currency in your neighbourhood?

Question No 30—State the names of the gold mohurs?

Epitome of Mr Onslow's Précis—contd

Answer No 15—Answer generally negative, exceptions very rare

Answer No 16—In the very rare instances of the answers, cause referable to the Accountant General

Answer No 17—At par in many places, above par in many others, below par in a very few

Answers Nos 18 *and* 19—English sovereign at par at a certain number of places, *above par at very many others*, below par at a very few Australian sovereign but little known, but apparently not taken with so much *readiness* as the English one

Answers Nos 20 *and* 21—Answer generally in the affirmative

Answer No 22—Yes, generally for the purpose of hoarding, and merchants for that of circulation or article of commerce

Answer No 23—The affirmative answer may be said to be unanimous

Answer No 24—The affirmative answer may be said to be unanimous

Answer No 25—Opinions generally affirmative

Answer No 26—Opinions very generally affirmative

Answer No 27—General preference of gold, silver, and paper Almost unanimous

Answer No 28—Consult Précis Gold circulates apparently as an article of trade in a good many places, but is not treated as money under the existing laws

Answer No 29—Almost unanimous negative

Answer No 30—Refer to the Précis Although not much circulated, it is evident from the answers to this question that the practice of keeping gold as a reserve must be almost universal among all classes just raised above poverty

Circular to the Officers in charge of Treasuries.—concld	*Epitome of Mr Onslow's Précis*—concld.
Question No 31.—Do they pass for intrinsic value ? *Question No* 32.—Or do they bear an artificial value according to their respective denominations, or as proceeding from certain Native States ?	*Answers Nos* 31 *and* 32.—Generally for intrinsic value. NOTE.—This epitome gives the general conclusions of the answers to queries addressed to the other authorities to whom circulars were sent as well as to the Officers in charge of Treasuries

7 When it is considered that the answers shown in the epitome are the condensation of the observation and opinions of authorities exercising power or discharging financial duties over every part of British India, the Commission feel justified in the inference that, in some instances, facts have been solidly established, and that in others of important character the unanimity of opinion, as based on personal observation, is a matter of extraordinary significance with respect to the wants of the country, and the manner in which those wants may be met

8 It thus appears—

I.—That a Government Paper Currency, established under Act XIX of 1861, has been in actual existence since 1st of March 1862

II.—That some of the Circles have been but very recently established

III.—That out of the Presidency Towns, the people have not as yet been educated to the point of using a Paper Currency,

IV—And, therefore, that its apparent failure as generally deposed to is not a sufficient reason for despairing of its gradual extension

9 The Commission have not succeeded in obtaining accurate reports regarding the amount of capital, whether in shares or deposits, now held by the several British Banking Companies which are doing business in the Presidencies and many Mofussil cities in India. The amount of such capital, however, is now very considerable and notwithstanding the misfortunes of this year, it has a steady tendency to increase.

10 It is clear that in the great centres of commerce, whether on the seaboard or in the interior the introduction of a sound and well regulated system of banking not only familiarizes the people with use of a Paper Currency, but largely promotes the distribution and utilization of capital

11 As the community learn to appreciate the facilities afforded for conducting business by means of banking accounts instead of locking up or secreting the money which comes into their possession the economy, both in coin and notes, becomes apparent It is believed that

usages based on acquaintance with the European system of banking have taken a considerable hold of the inhabitants of the Presidency Towns, and that these usages are gradually but slowly spreading throughout the country.

12. The extensive use of cheques which are adjusted in the accounts of the Banks with one another in a great city, such as Calcutta or Bombay, affords a sufficient illustration of what has been adverted to.

13 The foregoing consideration may perhaps further explain how it comes that, with the vast increase of trade and available capital during the last few years, the demand for Currency Notes in the Presidencies has remained in a quasi-stationary condition.

14 It may certainly be said—

I.—That the want of facilities for the encashment of notes, whether in the Circles proper, or when the boundary of a Circle has been passed, is clearly established,

II —That this want is a great bar to the utility of the Currency Notes,

III.—That the want causes the notes to be depreciated at varying rates of discount;

IV —That this causes the notes to be practically viewed as commercial paper,

V.—That the inevitable result in the native mind is not merely a sense of inconvenience, but a mistrust of the notes based on an idea of substantial loss flowing from the use of them

15 With such facts before them, the Commission feel considerable hesitation in expressing any further opinion, the matter concerned being one to be practically dealt with by the Financial Department, whose proper function it is to judge of the feasibility of many of the proposals laid before the Commission This remark more especially applies to dealing with the cash balances, the feeding of Treasuries, and the precautionary measures to be taken before any of the sweeping changes which seem to commend themselves to the great majority of the authorities consulted, can with safety be adopted.

16 It may, however, perhaps be said that, irrespectively of such sweeping changes, certain administrative improvements might take place which would have a beneficial effect The aim of the Financial Department in the administration of the Act might be directed less to obtain profit from the Paper Currency than to devise practical measures for

2ndly,—That they are sought for in the Provinces for trading purposes by merchants and bankers, and as a medium of a reserve of wealth by the people at large,

3rdly,—That where gold is below par in price, it happens either because gold is almost practically unknown in the districts concerned, or because the people are too poor to create a demand for it,

4thly,—That the demand for Gold Currency is unanimous throughout the country

5thly—That gold coins of 15, 10, and 5 rupees respectively would find more favor in the eyes of the people than notes of like value

6thly—That the introduction of gold would facilitate the establishment of the Currency Notes, outlying Treasuries being assisted by such a measure towards the convertibility of the notes and

7thly,—That the opinion is general, almost unanimous, that the currency should consist of gold, silver, and paper

25 With such evidence of the general wish of the country before them the Commission cannot hesitate to express a hope that the Government of India will persevere in the policy which was recommended *for the approval of the Secretary of State two years ago * viz, to cause* a legal tender of gold to be a part of the currency arrangements of India, that which is believed to have been erroneous in the original proposal being modified, however, as hereinafter recommended.

26 The Commission would draw attention to the fact that the price of the Gold Mohur or Government piece of Rs. 15, as fixed by Act XVII of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day

27 That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India consisting of pieces of Rs. 10 and 5 respectively—the 10-rupee pieces having

* *Vide* Financial Despatch from Government of India, to Secretary of State July 14th 1861.

the weight of 120 grains, and the 5-rupee piece 60 grains troy.—*Vide* Section 7, Act XVII of 1835.*

28. The Commission are aware that it is a favorite notion in some quarters to cause the English sovereign to be issued as the representative of Rs. 10 in a legal tender, and this view received the sanction of the Government of India in 1864 at the instance of Sir C Trevelyan.

29 But according to the evidence submitted generally to the Commission, the conclusion can hardly now be resisted that the tendency in India is rather to raise a gold coin above par.

30. If the tables of prices† be consulted for past years, the fact is clearly shown that the real par of the sovereign is somewhat above Rs 10.

31 If this be admitted—and the evidence is such that no doubt can be entertained with regard to the fact—the Commission may perhaps be excused for believing that the Government of India had not the advantage of exact information when it adopted the views imparted to the Secretary of State in 1864

32. The Commission would therefore venture to suggest that, assuming what is stated with regard to the average value of the sovereign to be correct, that it is apparent that if such a tender, *viz*, of an English sovereign at Rs 10, were affirmed by law, it would be to offer the sovereign for sale at a price of from 2 to 3 annas less than it can be in general bought for at the ports of importation, or at the average rates in the country at large, that is to say, that with respect to the commodity of gold, with a view to a gold currency, a departure is proposed from the principles on which the supply of a commodity to a country is invariably found to rest.

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* *Section 7, Act XVII of* 1835 —And be it enacted that the under mentioned gold coins only shall henceforth be coined at the Mints within the territories of the East India Company —

First —A Gold Mohur or 15 rupee piece of the weight of 180 grains troy, and the following standard, *viz* —

$\frac{11}{12}$ or 165 grains of pure gold

$\frac{1}{12}$ or 15 grains of alloy

Second —A 5-rupee piece equal to a third of a Gold Mohur

Third —A 10-rupee piece equal to two-thirds of a Gold Mohur

Fourth —A 30 rupee piece or double Gold Mohur And the three last mentioned coins shall be of the same standard with the Gold Mohur, and of proportionate weight

† *Vide* Tables attached to Sir William Mansfield's Minute of August 1864, which was received by Goverment of India subsequently to its despatch to the Secretary of State in support of Sir Charles Trevelyan's proposals (Pages 346 to 355 of this collection)

33 It is, then, clear to all men of business who look to the principles on which alone trade can be carried on, that a trade in gold, with an effectual gold currency could not exist on such terms.

34 Thus it would be impossible for any Mint to buy gold at a less rate than importers can afford to take. And in like manner having bought gold at given rates, the Mint—in other words the Government—could not afford to issue the new coins at a rate less than their intrinsic value in which must be included a moderate seignorage

35 As a matter of course the same argument applies to the purchase of sovereigns coined in the British or Australian Mints, the intrinsic value of which is more than Rs. 10, or so nearly equal to that sum as to leave no margin for fluctuation, or to pay the expense of mintage

36 The force of this argument is the more apparent when attention is given to the point that the public debt and all other obligations in India have been contracted in rupees

37 The practical inferences to be drawn from this statement of facts and reasoning become infinitely stronger, when it is recollected that the legal tender of gold will create a new large demand for the commodity; that is to say by restoring to gold a very considerable part of the functions of money of the State of which gold is now deprived

38 It is indeed possible that, under such circumstances, *vis* of the restoration to gold of the legal function of money of the realm the price of it may eventually rise as compared with that of the present day, which received the sanction of the Act of 1835

39 But it is obvious that the increase of demand cannot occasion a fall in the price of gold, until the country shall have been absolutely flooded with it, the same being accompanied by the partial exclusion of silver from the currency

40 But when that shall have taken place it will be for the Legislature of the day to step in and fix the gold coinage on a single standard by reducing silver to tokens for the payment of small sums, according to the example set by the United States in 1853 *

41 We have therefore, in the new demand for gold, another powerful reason as above displayed for shunning the attempt to give an artificial depreciation to the metal, by forcing the sovereign to run for less than it is actually worth

* *Vide* Chapters 5 and 6 of Sir W Mansfield's Minute on the introduction of a Gold Currency into India, dated 8th March 1864 (pages 71—143 of this collection); also his Minute of August 1864 (page 310), in answer to Sir Charles Trevelyan's Minute of June 20th, 1864.

42 The attempt is simply to ensure the defeat of a gold currency.

43. The Commission would again once more glance at the practical impossibility of increasing the public debt, and the obligations of all debtors which have been contracted in the rupee.

44. To raise the value of the rupee, however little, by artificially depreciating its gold representative, is simply an act of injustice to all debtors, and a bonus to all creditors, whether of the State or of private parties.

45. As the two tenders, silver and gold, must run *pari passu* for some time to come, such an injustice would rectify itself by the defeat of the gold, and its ejection from the currency—the same resting on the clearest application of commercial principles as above indicated

46 The Commission would close their report with the remark that as the original institution of the Paper Currency in 1861 was eminently of a tentative character, extreme caution was observed with respect to the limitation of issues, the organization of circles, and the guardianship of the convertibility of the note

47 It is therefore unreasonable in the extreme to expect large and perfect results from what has hitherto been but an experiment Nevertheless, it is impossible not to observe that the universally unfavorable testimony is in truth founded on the expectation of a perfect and absolute success, which, with regard to the original arrangements and the nature of things and of native society in general, could not in fairness be looked for.

48. On the other hand, as shewn in the body of this report and the mass of evidence given in the addenda, the time had fully arrived for the review of the results of the experiment, and the application of such improvements or reforms as may be deemed expedient for the development of the Paper Currency, which, amidst the demands of advancing commerce, has come to be a necessity for the people of the country.

(Sd) W R MANSFIELD.
" H S MAINE.
" W GREY
" D COWIE
" G ROSS
" E H LUSHINGTON.
" G DICKSON
" W HALFORD

SIMLA,
The 4th October 1866

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SIMLA,
The 4th October 1866.

From H E JACOMB, Esq, *Officiating Under Secretary to the Government of Bombay, Financial Department, to* E. H LUSHINGTON, Esq, *Secretary to the Government of India, Financial Department,—No* 855 *dated Bombay Castle, the 26th August* 1864

I am directed by the Honorable the Governor in Council to transmit to you, for the purpose of being laid before the Government of India, the accompanying copy of a letter* addressed to Her Majesty's Principal Secretary of State for India, under date the 23rd instant

* No 29 Forwarding copy of a Min te by His Excellency the Commander in-Chief on Sl Charles Trevelyan s proposal to declare sovereigns and half sovereigns according to the British and Australian standard, legal tender in India at the rate of one sovereign for ten rupees (with its enclosures)

Despatch from the Government of Bombay to the Secretary of State for India —No 29 *dated Bombay Castle the 23rd August* 1864

In continuation of our despatches as per margin, we have the honor to forward herewith copy of a Minute by His Excellency Lieutenant-General Sir W R Mansfield K.C.B on the proposal of Sir Charles Trevelyan to declare sovereigns and half-sovereigns, according to the British and Australian standard, legal tender in India at the rate of one sovereign for ten rupees

No. 7 dated 12th March 1864, and No. 9 dated 28th March 1864.

2 We beg at the same time, to transmit herewith a copy of a return furnished to us by our Mint Master of the average price of English sovereigns, &c., in Bombay since 1830

Remarks by His Excellency Lieutenant-General Sir WILLIAM MANSFIELD, K.C B, *on Sir* CHARLES TREVELYAN'S *proposal to value the sovereign at ten rupees in the Indian Currency* —Vide *Resolution of Government of India, dated 12th July* 1864

I am under great obligation to Sir Charles Trevelyan for the very kind manner in which he has been pleased to allude to my Currency Minute dated 8th March 1864

2 It is a matter of no ordinary satisfaction that my argument and theoretical conclusions should have been able to arrest his attention

3 This being so, it is with unfeigned regret that I am obliged to say that I am not convinced by Sir Charles Trevelyan s reasoning of the

soundness of the measure by which he proposes to commence the conversion of the silver currency of India to a golden one.

4. The measure to which I allude is the legalizing of the value of the sovereign in ten rupees for tender of payment, while the sovereign is really worth more than that sum.

5. The question of respective values of gold and silver in India, as determined by experience during the last few years of expansion of trade and increase of gold production, has the most important practical bearing. On the successful appreciation of it may be said to depend the ultimate success of the great reform, the entertainment of which has been sanctioned by the Right Honorable the Secretary of State for India, and by the Viceroy and Governor General in Council.

6. I have ventured to remark once before at some length on the details of this matter,* and it is satisfactory to observe that the calculations and statements of value thus offered at Bombay receive support from those independently prepared at Calcutta †

* *Vide* Chapter XI and Appendices of Minute of March

† *Vide* Appendix No 9 to Sir Charles Trevelyan's Minute

7. Thus the Honorable Mr Claud Brown shows by a calculation of averages that the sovereign has in Calcutta of late years maintained about the same value as it has in Bombay, the cost of the sovereign being now, as he states, with regard to the gold it contains, worth Rs. 10-2-11, and with the additional one per cent. for seignorage Rs. 10-4-6, consequently, Mr. Brown observes that, under the arrangement proposed by Sir Charles Trevelyan, sovereigns would be readily and rapidly received into circulation, but the first and most essential condition is that some one must provide the sovereigns, and that his difficulty is that he does not think it can be done at the price.

8 It may here be said that in the price of gold, as shewn by the sovereign, it is well to banish from our minds the distinction between Australian and British sovereigns, except such very trifling difference of value as is, I believe, supposed to exist between the two coins.

9. The price of gold in India, where the metal is viewed as a commodity of import, is, of course, regulated by the price it bears in the country where it is most cheaply produced, to which must be added all other charges.

10. The freight and loss by interest being less on gold imported direct from Australia than if the same gold had made the circuit of the world,

it follows that gold imported by way of Europe must accommodate itself to the superior cheapness of Australian gold in other words, that the price of the latter in India rules the price of all other gold from wheresoever it may come.

11 This is actually seen to be the case when sovereigns, whether British or Australian, are considered as a matter of commerce. The exceptional taking up of the former for the use of travellers on their road to England, has no practical effect as regards the real price of gold. On the sailing of a steamer, English bank notes are sought and paid for exceptionally on account of such personal convenience.

12 The price of the sovereign in India, as an article of commerce, having thus depended on the marketable value of gold it has been seen in the two great marts of Calcutta and Bombay that that price has on an average of years been slightly more than Rs. 10-4-0, although the sovereigns are treated in their character of gold without respect to Mint or seignorage charge

13 Consequently Sir Charles Trevelyan's price, to which he desires to give a legal sanction for tender of payment, is at the least, six pence less than this average value of the sovereign, or about 2½ per cent. as hitherto maintained.

14 The question therefore arises to put Mr Claud Brown's doubt in another form,—who is to bear the loss of the 2½ per cent.?

15 It will be understood that if the Mint can find the gold the people will be only too happy to exchange their rupees at a rate which will give them six pence, or four annas, on the changing of every packet of ten rupees But is the Government prepared to lose the six pence, or in other words, the 2½ per cent.?

16 Surely we cannot expect, except in the case of extraordinary dearth of silver, that the people will pay in gold when to do so causes them a loss of 2½ per cent. on their transactions On the contrary, they will continue to pay in silver so long as gold remains at a premium in the market, as compared with the rate fixed for the optional legal tender

17 Gold would then be issued at that low rate only at Government Treasuries and the Government, receiving silver in payment of revenue would then be the sole loser Government would therefore be driven to make all its payments in silver, to prefer silver as the means of redeeming the currency notes, and therefore to defeat the measures it is now bent on introducing

18. Another question also surges up It may be asked why is $2\frac{1}{2}$ per cent to be added to the value of the national debt, as a condition of the conversion of the silver currency?

19. Yet if it be in the power of the Government of India to redeem part of the capital of the debt, and to discharge the interest of it in gold, according to the price sought to be legalized, and if it do so, it is clear all such payments would involve a *pro tanto* addition to the debt, as shewn by the artificial depreciation of the gold coins. For it is admitted by Sir Charles Trevelyan that, under any circumstances, his gold will be offered in currency at a less price than it habitually fetches in the market

20. But it may be further doubted whether the Mints would, on the terms of Sir Charles Trevelyan's Minute, obtain any gold with which to carry out the conversion of the currency, except in the remittances of gold made on account of Government. In consequence of their being worth more than the rate fixed for the optional tender by law, sovereigns imported on private account would be sold at the premium they might be able to command in the market Bar gold being sent to the Mints for coinage would be recovered by the owners in the form of sovereigns, to be sold in like manner at a premium. Sovereigns would not be exchanged for currency notes in the Issue Department

21 The further consequence would be, then, that the currency would become complicated instead of being relieved, as we wish it to be Although dignified as currency legal tender, if anybody chose to tender them at a loss to himself, sovereigns would practically remain an article of trade, while Government, whenever it paid gold as part of the normal currency, would be the sole loser.

22 The result therefore would be, that silver would remain as it now is, and importation of it for purposes of currency would be continued—one of the things we desire to prevent—while gold, in effect, would not be promoted to perform currency functions as we desire

23 It is stated that the Australian sovereign can be laid down at Calcutta for Rs 10-2-9. The data on which this assertion is based are not, I believe, furnished It is not shewn whether the profits of the importer are included in the figure, or if the mere cost of the gold on Australia, freight and other charges, are comprehended only.

24 Unless the latter is the case, it is difficult to understand how the price of gold remains on an average at a higher rate than that at which it can be profitably imported In short, we must take the value of gold

at what it is shewn to be by the average prices of a term of years, and not from an arbitrary assertion made at a particular juncture

25 I annex a valuable return of the price of sovereigns, British and Australian, during the last five years. This average price is shewn to be about Rs 10-4-0 or considerably in excess of that for which, it is alleged Australian sovereigns may be laid down at present

26 Sir Charles Trevelyan, however, taking the smaller figure, *viz*, 10 2-9, as his basis, trusts that the Colonial Legislature of Australia may be induced to reduce the price of gold exported from Australia to India by abolishing the export duties

27 It may be asked if it is not too sanguine to expect such accommodation from popular and distant Governments over which we have no control? Should we ourselves be justified in legislating with a view to a contingency which must in any case be remote, and which many politicians who consider how colonial revenues are raised with regard to colonial impatience of taxation, will declare to be so unlikely as to be almost impossible?

28 But it is to be remarked that the new and great demand for gold, caused by the organization of an effective gold currency in India, will not improbably raise the price of gold throughout all the markets of the world, of course including Australia. On the other hand, we must not forget that the yield of gold in the latter country is largely diminishing as noted by Sir Charles Trevelyan. It is not impossible that the two things taken together might neutralize the effect of abolishing the Australian export duty, if such a measure were ever to take place

29 Sir Charles Trevelyan is apparently of opinion that, eventually, the price of gold in India would be somewhat diminished by the regularity of trade consequent on the introduction of a gold currency

30 But is this likely? Has he not overlooked the effect of the new demand on the regions of supply, when gold shall be substituted in the imports to India, in the place of the many millions of silver now annually brought to her shores from all parts of the world?

31 We have already seen in India how the superior convenience of gold as a vehicle of reserve value has kept up its price in India as reckoned in silver, notwithstanding that it was shut out of the currency May we not expect a still greater result in the same direction when it is admitted?

32 I am evidently not singular in such views. Thus Mr Claud Brown, while he does not guarantee that gold may not ultimately be reduced in value so as to enable the sovereign to be supplied at Rs 10,—

"sees no valid ground for expecting such a change, especially when due allowance is made for the effect which the adoption of gold as a circulating medium in India must have in checking any tendency that might otherwise have existed to a decline in the value of the metal"

33 Let us now consider the subject in another manner. Sir Charles Trevelyan, when advocating the introduction of the sovereign as an uniform standard of exchange, says that it would come into more extensive use than the Spanish dollar ever did, if fair play were given it Yet he shows that he has misgivings that his proposed measure will retard the conversion of the silver medium to a golden one, the real and immediate object of the proposed reform of the Indian currency

34. Can it be said that fair play is given to the sovereign as a current coin, when making a law that gold and silver shall be optional legal tenders we declare that the former shall be issued in a coin—the sovereign—charged at a rate which depreciates its value?

35. The object of the change which is now proposed is the eventual conversion, without shock or expense, of the silver currency to a golden one.

36. It is difficult to understand why, bearing this object in view, we should commence with a measure which, as Sir Charles Trevelyan admits, may retard its attainment. Should we not rather recognize the fact of equality of intrinsic value between the respective coins of the two metals, as the only basis of theory and practice in our progress towards the eventual position of a gold currency and a gold standard, that progress being determined only by the other fact of superior convenience of a golden medium over a silver one?

37. In this case we shall have simplicity an intelligible principle, and, it may be said, finality, whereas, in the other, we shall commence with a measure open to the charge of retarding the reform we propose, which, by some critics, will be held to be synonymous with inoperativeness—in other words, failure

38. By taking the basis of equality as now shewn by the averages, we stop speculation with regard to artificial and local differences of value as much as we can. The relative values having been so determined by experience till the present date, will become fixed henceforth in currency at present rates. We have seen examples of a like result in the in-

stances of France and America As in those countries, the moment will in such case at length arrive for stereotyping the rate by means of the token coinage.

39 If, on the other hand, when we inaugurate our reform, we depart from the basis of equality in favor of silver we, in fact, delay not only the conversion of the currency as shewn above but we do something more. We forego the advantage of determining the value of gold in currency by the current silver coin, for the future as well as the present.*

40 Without such determination of the value of gold in silver, according to reason as well as an arbitrary regulation which will be set aside by the premia of the markets the currency reform cannot become substantive and we shall land ourselves amidst the uncertainties of the double standard.

41 For in such case the attempt will be really made to have two measures of value in different metals whereas we know that trade and exchange will only admit of one measure By insisting on the nicest equalization of value between silver and gold in the issue of coins, under a joint or optional legal tender we still adhere to the old rupee measure or silver standard but we offer the golden equivalent in its place. If we willingly afford more of gold than is equal to the silver, we do the reverse, and we compel the community in every transaction, public or private to consider whether it is to be performed in silver or in gold

42 It may be further observed that, by means of the nice equalization of the legal tenders in point of value, we are perfectly just to the present holders of silver and the holders of securities whether on public or private contracts. For they will be allowed at their own convenience to pay in silver or gold. This fact would prevent the depreciation of silver from its present value with regard to gold For if it were to fall, as suggested by Sir Charles Trevelyan below the par of present value, which, on a real present equalization, would be fixed in currency it would be quickly bought up for the discharge of debts according to the option afforded by law Its currency value, and therefore its price in the country, would be as rapidly restored.

43 It would appear, after considering all the features of the matter presented to us, that we are encumbering what would be otherwise simple

* Vide Chapter 3 of Minute of March, more particularly the closing pages of that Chapter (page 60 of this collection)

by the attempt to graft on it something else. Thus we desire to have a gold currency for India. The measures to effect such a change are direct and simple. But this is no longer the case if we take the opportunity to provide what is called an imperial standard of exchange for the dependencies of Great Britain, and then to fix in India a gold coin at an artificial price, that coin having been struck for a system of coinage unknown to India and her coined values.

44. It seems strange to try to force down a strange coin at a price which is not its true equivalent, in short, to bend certain physical facts of value in favor of a notion of decimal convenience and of relation to other portions of the British Empire.

45. The equitable proceeding would appear to be, on the contrary, if we choose to impose on India a gold coin which is foreign to her system, that, rather than commit ourselves to an arbitrary measure, we should give the strange coin for its exact value, just as in exchanging gold for silver we should take care, as far as lies in our power, that in general the equivalent of the former is accurately afforded in substitution of the latter, in other words, that our currency transactions should exactly follow the law of barter, until the absorption or disappearance of the silver may enable us to revert to a single legal tender for large sums by the introduction of the token coinage.

46. With regard to all existing debts and contracts, we are unable to part with the existing silver rupee. It is to us what the franc is to the French, what the dollar is to the American

47 We should only think of rendering that silver rupee in its golden representative, and we should not for the present trouble ourselves with more According to the proposal which has received the sanction of the Government of India, we do not confine ourselves to this, but, for *ex parte* considerations, we made the effort to confer a greater value on the rupee than it physically possesses

48 I cannot help thinking that a confusion has arisen, and that the advantage of clinging to the sovereign for India has been over-rated, while the difference between its value and that of ten rupees has been under-rated.

49 Had a sovereign been worth twelve rupees, there would have been no thought of legalizing it in a value of ten rupees. But, in truth, when the large operations of trade are involved, it makes but little difference, so far as the object we are considering is concerned, whether the difference be two rupees or two annas In either case the difference is

sufficient to ensure an immense profit or loss to a merchant who operates with millions This being so the market premia owing to want of original mint equalization of value, entailing the official depreciation of gold would I believe infallibly drive gold out of the currency I think, therefore, that if we would succeed in fairly resolving the problem we have before us, we must have a gold coinage for India herself, and let sovereigns run according to their value which may be determined by law with regard to the regular Indian gold coin

50 In short, the sovereign should be the ally to assist India in participating in the convenience of the imperial standard. But it will not be permitted to usurp the rule in the realm hitherto occupied by the rupee, and to change the value of the latter

51 We can, then hardly resist the conclusion that the golden multiple of the rupee should be calculated and minted with regard to the value of the rupee only, and apart from all other considerations sovereigns being allowed to run for their relative value.

W R MANSFIELD

The 4th August 1864

Average quotations for each year in Bombay of English and Australian Sovereigns and English and Australian Bar Gold.

YEARS.	English Sovereigns.	Australian Sovereigns.	English Bar Gold, 93 Touch.	Australian Bars.	REMARKS.
	Rs. A. P	Rs. A. P	Rs A. P	Rs. A. P	
1857	10 3 7 each	No Quotation	No Quotation.	No Quotation.	
1858 ..	10 3 3		15 14 4 per tolah		
1859 ..	10 6 0	..	10 0 6		
1860 ...	10 5 4	10 7 3 each	16 4 2	15 12 0 per tolah (23 carats)	Australian sovereigns and bars from July
1861	10 4 9	10 3 8	10 1 7	15 5 7 (23 carats,)	
1862 ...	10 6 0	10 3 6	10 3 1	15 14 [illegible] (23½ carats)	
1863 ...	10 4 1	10 8 9	10 8 1	10 1 2 (23½ carats)	

[illegible] since 1830

Year	[illegible]	[illegible]	[illegible]	[illegible]	Remarks
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
[illegible]		[illegible]			
[illegible]		[illegible]			
[illegible]		[illegible]			
[illegible]		[illegible]			
[illegible]					[illegible]
[illegible]	[illegible]				[illegible]
[illegible]					
[illegible]					
[illegible]	[illegible]	[illegible] 0	[illegible] 0		
[illegible]	[illegible]	[illegible] 0	[illegible]		
[illegible]	[illegible]	[illegible]			
[illegible]	[illegible]	[illegible] 0			
[illegible]	[illegible] 1	[illegible]			
[illegible]					
[illegible]	[illegible]	[illegible]	[illegible] 0		
[illegible]	[illegible]	[illegible]	[illegible] 7		
[illegible]	[illegible]	[illegible]	[illegible] 2 0		
[illegible]	[illegible]	[illegible]			
[illegible]	[illegible]	[illegible]			
[illegible]	[illegible]	[illegible]	[illegible] 0		
[illegible]	[illegible]	[illegible]			
[illegible]	[illegible]	[illegible]	221 1 [illegible]		
[illegible]	10 [illegible]	211 10 [illegible]	222 0 [illegible]		
[illegible]	10 2 1	215 7 [illegible]			
[illegible]	10 2 [illegible]	217 7 4	221 13 0		
[illegible]	10 [illegible] 7	212 [illegible]	222 13 0		
[illegible]	10 1 2	[illegible] 2 0	222 0 0		
1857	10 1 1	216 1[illegible] [illegible]			
[illegible]	10 1 2	211 11 0	222 0 0		
[illegible]	10 6 2	211 15 0	221 12 [illegible]	223 1 0	
[illegible]	10 6 0	211 11 [illegible]	224 12 0	223 1 1	
1861	10 5 [illegible]	212 8 0	225 0 0	221 1 0	
1862	10 [illegible] 11	211 0 [illegible]	221 2 0	221 1 1	
[illegible]	10 [illegible]	212 7 0	225 1[illegible] 8	222 3 1	
1864	10 [illegible] 10	213 13 1	227 11 [illegible]	215 11 7	
Total	[illegible] 1 6	6,[illegible]30 2 11	[illegible]020 10 2	1,329 8 7	
Average	10 7 10	211 5 5	223 6 10	221 9 5	

The Agent, Oriental Bank (who are perhaps the largest importers of bar silver), states that he always sends it to the Mint, and there can be no doubt that the Mint price is the average one, as most of the silver imported is brought to the Mint, which would not be the case if it fetched a higher price elsewhere The Mint price being fixed, silver is never sold below it, unless at a trifling reduction on account of interest. The Mint price was raised by one per cent. in the year 1833 Aus-

tralian sovereigns are not quoted There are quotations for bar gold for about twenty years, but they do not give the touch, and are therefore of no value. Rs 16 8 is the present price for pure gold per tolah.

J A. BALLARD, *Lieut Col.*,
Mint Master

Bombay Mint July 1864

RESOLUTION—By the Government of India FINANCIAL DEPARTMENT — *No* 2908 *dated* 19*th October* 1866.

Read again—

Financial Resolution, dated the 3rd February 1866, No. 592, appointing a Commission, with His Excellency Sir W Mansfield as President, to investigate and report upon the operation of the Paper Currency Act, upon any improved arrangements, including the introduction of Notes of the denomination of 5 rupees by which it could be rendered more effective, and upon any extension of the monetary system which the increasing commerce and prosperity of the country may seem to require.

Read—

A letter from the Secretary of the above-named Commission, dated the 4th October No B2, submitting a Report containing the conclusions arrived at by the Commission on the subjects referred for their investigation.

RESOLUTION —The Governor General in Council is pleased to direct that the Report of the Currency Commission be published in the *Gazette of India* for general information. His Excellency in Council takes this opportunity of recording his acknowledgments to the President and Members of the Commission for the attention bestowed by them on the important subject committed to their enquiry, and to convey to them an assurance that their conclusions will receive the careful consideration of the Government of India.

Ordered that this Resolution be communicated to the President and Members of the Commission and to the Secretary of the Commission, and be published in the Supplement to the *Ga ette of India*, together with the Report of the Commission

From J. COCHRANE, Esq., *Calcutta, to the Private Secretary to His Excellency the Viceroy and Governor General,—Dated 27th March* 1868.

May I request that you will be kind enough to lay the enclosed letter respecting the propriety of establishing a double currency before His Excellency the Viceroy and Governor General.

From J. COCHRANE, Esq., *Calcutta, to His Excellency the Viceroy and Governor General,—Dated 27th March* 1868.

I venture to submit to your Excellency some remarks on the proposed introduction of gold either in opposition to silver, or as forming, along with silver, a double standard.

From some notice in the papers, it would seem that this truly important question has not yet been finally settled

I may be pardoned for the following introductory observations, inasmuch as they contain an explanation of the principle on which I rest my opposition to the formation of a double standard

About the end of the seventeenth century the current coin of England had been reduced by clipping and other practices about 30 per cent below the standard of the Mint At that time the pieces new from the Mint had no more value as currency than this debased coin, though no man, I apprehend, could now by any sophistry, however ingenious, convince either himself or his neighbour that the latter was of the same value as the former Yet, though the fact was admitted, the remedy proposed in the language of the day was "to raise the value of our money" with a reference to the scarcity and consequent high price of bullion, and the specified plan proposed was to coin an ounce of silver into six shillings *and three pence, instead of five shillings and two pence*

This plan was supported by official characters of the greatest reputation and practical knowledge, and by persons of the most extensive experience in trade

Luckily, however, the fallacy of such opinions was exposed by Mr. Locke in his letter to Lord Somers, and the Government withdrew the deteriorated currency from the market and replaced it by the regulated coinage

The simplicity and accuracy of Mr. Locke's observations have attracted and justly deserve the encomiums of all. He observes —

"I spoke of silver coins alone, because that makes the money of account and measure of trade all through the world. For all contracts are made, I think, and accounts kept in silver coin. I am sure they are so in England and the neighbouring countries.

"Silver therefore, and silver alone is the measure of commerce. Two metals as gold and silver cannot be the measure of commerce both together in any country; because the measure of commerce must be perpetually the same, invariable and keeping the same proportion of value in all its parts

"But so only one metal does, or can do to itself so silver is to silver and gold to gold—and an ounce of silver is always of equal value to an ounce of silver and an ounce of gold to an ounce of gold, and two ounces of the one or the other of double the value of an ounce of the same But gold and silver change their value one to another; for supposing them to be in value as 16 to 1 now perhaps the next month they may be 15¾th or 15⅞th to 1 and one may as well make a measure a yard whose parts lengthen and shrink as a measure of trade of materials that have not always a settled invariable value to one another

"One metal, therefore, alone can be the money of account and contract, and the measure of commerce in any country—the fittest for use for many reasons—is silver which need not here be mentioned

It is enough that the world has agreed on it and made it their common money and, as the Indians rightly call it, measure."

The truth and simplicity of the above definition are plainly apparent. The whole of the letter of this celebrated man to Lord Somers is deserving of the most attentive perusal.

The doctrine maintained by Mr Locke is supported by Adam Smith, Mr Huskisson Lord Liverpool Mr Blake, the author of the beautiful essay on the Exchange and Mr Ricardo Lord Liverpool in his letter to the King states the evils which arise from a nation having two standards of money, each a legal tender

Mr Ricardo at page 18 of his pamphlet on the high price of bullion published in 1810 observes:—

"No permanent measure of value can be said to exist in any nation while the circulating medium consists of two metals, because they are constantly subject to vary in value with respect to each other However exact the conductors of the Mint may be in proportioning the relative value of gold to silver in the coins, at the time when they fix the ratio, they cannot prevent one of the metals from rising while the other remains stationary or falls in value."

So late as 1810, Mr Tooke, in his History of Prices, at page 215 of 1838-39 observes:—

"With regard to a double or concurrent standard as it has been called of gold and silver it has been to me a subject of constant wonder how it could be that pro-

jects for placing our currency on such a footing should ever have been put forward by persons entitled to have any attention paid to their opinions

"There is no one more disposed than I am to admit the force of disturbing causes in qualifying the application of general principles to the actual course of affairs, but the principle involved in the question, whether one or two (and if two, why not three or more?) metals should constitute the standard of value in the interchange of commodities, and of property of all kinds, is so wholly deducible from a clear view of the uses and purposes contemplated by the establishment of any standard, as a medium of exchanges and as the commodity stipulated in contracts, that the determination of the question, in its practical application, has been considered by all writers of any eminence on the subject as proceeding exclusively on general grounds of consistent reasoning and not dependent upon particular facts, as to the position of any country with reference to its commerce or its banking establishments It has been treated, and justly so, as determinable on scientific principles only"

"That one metal only should be the standard is accordingly a point upon which scientific writers—Locke, Harris, Adam Smith, Ricardo, Mill, Senior, McCullock, &c —are all agreed, and to this host of authorities, in accordance, moreover, with the plain obvious purpose and meaning of a standard of value, the numerous bodies and persons who propose the change on the ground of the too great restrictiveness of the present system of convertibility of the paper into gold, have only to oppose the authority of Lord Ashburton

"As far as I have been able to collect Lord Ashburton's reasons in favor of a double standard, they resolve themselves into the supposition that it would afford more ease and facility to the Bank in maintaining a larger circulation of paper, or the same circulation with a less reserve of bullion, than under the present standard This supposition will be well founded only if the variations between gold and silver were considerable, and alternatively on one side and the other, and in this case, exactly in proportion as the facility to the Bank would be greater, by so much the greater would be the inconvenience to the public, by the uncertainty to which the option of the debtors would expose the transactions which were the foundations of the debt Such uncertainty would be particularly objectionable in our foreign commercial relations, as it would necessarily entail a wider range of fluctuation in the exchange than under a single standard If, however, the variations between the two metals should be very small, in that proportion would be the convenience, or, as Lord Ashburton terms it, the 'ease and facility' be less to the Bank and to debtors generally, and in the same degree would be the inconvenience to the public diminished"

"But to whatever extent the difference might be, it would still be an inconvenience In his recommendation of the double standard, Lord Ashburton referred to the example of France in proof of the convenient working of the double system, but that example furnishes no proof at all, inasmuch as the standard of France is for all practical purposes of silver only, gold, as I have before observed, having been invariably at an agio or premium upon the relative proportions fixed by the mint regulations, and if the substitution of a double standard proposed for this

country were to be on the same footing as in France, the observation I have already made on the comparative restrictiveness of a silver standard would apply to their nominal double standard."

Such are the authorities which support the opinion of Mr Locke. But let me now ask where is the necessity of this double standard?

Numerous banks have been established throughout India with large available funds ready for profitable employment.

The enormous importations of silver within the last few years with the note circulation of Government and the Bank of Bengal greatly facilitate commercial transactions

This matter is so admirably explained by Mr Blake that I digress for a moment to notice the consequences of over issue. He observes :—

"The drain on the bank will begin under any circumstances whenever the depreciation of the currency from over issue has raised the market price of bullion above its mint price and will continue till the loss which the bank must suffer by the purchase of bullion to supply the drain shall compel the directors to diminish the number of notes so as to bring back the currency to its usual level. The price of bullion will then fall to its mint price, and no longer afford a profit on being melted, the nominal exchange will invariably mark the amount of depreciation during its continuance, and when the depreciation ceases the nominal exchange will rise to par

"The adoption of a paper currency therefore, can never be injurious to a country so long as it is convertible at option into specie the temptation to its over issue will always be sufficiently checked by the principle that has just been explained, and independently of the convenience of making the larger payments. It will certainly be advantageous to carry on the circulation of a country by a cheap rather than a costly machinery"—*Blake on Exchanges page* 68

The advocates of a double currency seem loudest in their clamours on any great emergency

In all cases of mercantile calamity the usual cry is that "there is not sufficient circulating capital"

But in nine cases out of ten the cry arises not from any want of adequate circulation but from parties having entered into engagements beyond their power to fulfil The late great failures of joint-stock banks establish this beyond dispute

This complaint, as the able author Mr Tooke observes, attracted the attention of Adam Smith in his celebrated treatise on the wealth of nations, who remarked :—

"No complaint is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither wherewithal to buy it or credit to borrow it Those who have either will seldom be in want of the money or of the wine which they have occasion for This complaint, however, of the scarcity of money is not always confined to improvident spendthrifts, it is sometimes general through a whole mercantile town and the country in its neighbourhood *Overtrading* is the common cause of it Sober men, whose projects have been disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to obtain it, as prodigals whose expense has been disproportioned to their revenue Before their projects can be brought to bear their stock is gone, and their credit with it They run about to borrow money everywhere, and every one tells them they have no money to lend."

The above description admirably describes the late commercial storm which burst over London about a year or so ago

The late panic did not arise from any want of circulating medium to justify a demand of a double standard The fall in the markets, the terrible disclosures made of the affairs of joint-stock companies, destroyed all confidence. Every one rushed to the banks for their menoy. Even banks of known solidity, merchants of undoubted wealth and honor, were all endangered

In this emergency the Bank of England was necessitated, as a mere measure of personal safety, to refuse discounts This measure, though absolutely called for by the dictates of prudence, necessarily aggravated existing evils With every anxiety to assist the mercantile interest, the enormous amount of liabilities outstanding against many joint-stock companies precluded the possibility of assistance They perished, some from their own infamy and others from unguardedly entering into obligations beyond their power in such circumstances to meet

This great bank, however, was not unmindful of the condition of other banks and mercantile houses

Though their advances had nearly passed the limit allowed them by law, yet with a view to the general security of the public, they caused an application to be made to the Ministry to allow them, under particular circumstances, to pass the prescribed limit The Ministry returned an answer that Parliament would be moved to sanction the proposal If I err not, the mere intimation of this relieved many from pressure, and the Bank of England was enabled to do its duty alike to the public and the mercantile interest without passing in any degree the limit allowed

Is it possible that anything that occurred on that occasion can in any way justify or support an application for a double standard? It would be impossible to contend that sufficient metallic currency did not exist in England. The enormous importation of gold into the country repudiates such a supposition. The parties who press such matters on the attention of authority are either parties concerned in trade or connected with the numerous joint-stock establishments which have spread over England

The warning against attending to the statements of such parties is so important that I cannot refrain from quoting it In Mr Blake's Essay at page 94 he observes —

"The merchant by knowing the computed exchange and the current prices in the home or foreign markets, and without any acquaintance with the theory of exchange, or the principles which regulate it, will always have sufficient practical data to guide him in his commercial transactions; but the statesman should beware in making general legislative provisions that he is not misled by the partial statements of men whose individual interests are frequently in direct opposition to the general welfare of the country This remark is not meant to carry any illiberal insinuations against a most useful and respectable class of the community but experience sufficiently proves that self interest gives a bias to the mind which without its being conscious of the influence will mislead and pervert the judgment."

In support of this warning I need only refer to the extraordinary proposition made by persons of the first eminence for remedying a deteriorated currency by increasing the nominal value of the coin issued. It would be difficult to believe that such a proposal should emanate from men of ability if we had not the letter of Mr Locke to Lord Somers before us

Another startling example to the same purpose is not wanting

When the question regarding the resumption of cash payments by the Bank of England was under discussion in Parliament all the corporate bodies nearly all the merchants and the entire banking interest were directly opposed to the measure—luckily without success Cash payments were resumed, and the Bank of England's credit stood greater than ever

The introduction of joint-stock banks, though a necessity of the times, has greatly affected the position of the British merchant so long and justly held in honor by all foreign nations The course of business from father to son the careful accumulation, the habits of business and the untiring industry and prudence exhibited in their conduct —all these

have given place to men of a different stamp It is the bold speculator who now stands forth watching the condition of the markets and boldly throwing the dice for a fortune or a grave,—all such exercise as it appears to me an influence unfavorable on public morals

That able and respected man, Mr Wilson, the late Financial Member of Council, was distinctly and resolutely opposed to a double standard

What necessity is there for pressing such a measure? There is no title to assume that the metallic currency is not amply sufficient for all mercantile purposes

It is a matter of satisfaction to state that during the late mercantile storm the four or five great houses in Calcutta passed through uninjured

But there are other considerations which are plainly opposed to any alteration in the standard as proposed

In the first place all contracts are made in rupees

Secondly, the Government have undertaken that the whole territorial debt shall be paid in rupees

These are matters of no ordinary importance, but I will now put a contingency of a very serious nature Before I do so, it may be as well again to quote from the work of Adam Smith, who, at page 107 of Book the 1st, Chapter 11, observes —

"Before the discovery of the mines in America, the value of fine gold to silver was regulated in the different Mints of Europe between the proportions of 1 to 10 or 1 to 12,—that is, an ounce of fine gold was supposed to be worth from 10 to 12 ounces of fine silver About the middle of last century, it came to be regulated between the proportions of 1 to 14 or 1 to 15,—that is, an ounce of fine gold came to be supposed worth between 14 or 15 ounces of fine silver"

At present the value of the two metals is about 15½ ounces of silver to 1 of gold.

This deterioration of the respective values of the two precious metals was not observed for upwards of 25 years

If the Government were to introduce a double standard by introducing gold they would expose themselves and the public to the attendant evils which arise on a fall in the value of gold This is not an idle apprehension, what took place with reference to silver may equally apply to gold.

If such were to take place the Government would receive their revenue in a deteriorated currency, and the injury and consequent distress to the public would surpass description. Whether we may attribute the doubling of all articles of consumption to the influx of gold, I will not undertake to say, but the fact is still before us that every thing within a short period has doubled in price

It is quite pleasing to find that the principles laid down by Mr Locke regarding the necessity of a single standard are supported by that intelligent Frenchman, Monsieur Chevalier, in his book on the probable fall in the value of gold The book was translated by Mr Cobden and published in 1859 At page 114 of his work he points out the sufferings and difficulties which will attend such a fall *even in transition* I have taken from recorded authority the fall in the value of silver which amounted to one-third. This able man supposes it will amount to one-half in gold In such a case the ruin of individuals and the destruction of property would be enormous

What occurred with silver may again occur with gold Well may this able Frenchman warn his Government from the path they are treading

I trust that the opinions of the various statesmen I have alluded to will find weight with Your Excellency The unanimous sentiments of all able writers are directly opposed to any alteration of the standard. Is it wise to tread on the blind path recommended, without the smallest necessity ?

Having considered this subject for some years I venture to submit the foregoing remarks to the consideration of Your Excellency

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From F R S WYLLIE Esq , *Acting Secretary to the Government of Bombay, to the Secretary to the Government of India, Financial Department* —*No* 1077, *dated* 18*th November* 1868

I am directed by the Right Honorable the Governor in Council to forward, for the consideration of the Government of India the accompanying copy of a letter from the Secretary and Treasurer of the New Bank of Bombay, and to state that this Government concurs in the views therein expressed

From M. BALFOUR, Esq., *Secretary and Treasurer, New Bank of Bombay, to the Chief Secretary to the Government of Bombay, Financial Department,—No.* 4614, *dated* 12*th November* 1868.

The attention of my Directors has been called to notification No 3287, dated Simla, 28th October 1868, in which the Governor General of India in Council is pleased to direct that sovereigns, half-sovereigns, and gold mohurs, shall be received in all the Treasuries of British India in payment of sums due to the Government as the equivalent of Rs. 10-4-0, Rs 5-2-0, and Rs 15, respectively.

By the agreement under which the Bank now carries on the business of paying and receiving money on behalf of the Government of Bombay, formerly transacted at the Government Treasury at Bombay, provision is made, amongst other things, that for the purpose of ascertaining the Government cash balance, sovereigns and half-sovereigns shall be reckoned or included.

The practice has been to value these coins at Rs 10 and Rs. 5 respectively

The clause was intended to utilise such sovereigns as might come into the possession of Government from natural causes, and as it was barely possible that the value at which the Bank has allowed credit for them to Government could be higher than that current in the open market, the Bank practically ran no risk of locking up its funds in an inconvertible and non-interest bearing security, while it is believed that neither party to the agreement contemplated the deposit at any time by Government of a sufficient number of sovereigns to interfere with the working of the Bank

The present order of the Governor General of India applies to all Treasuries No communication on the subject has been received by the Bank from Government, nor are my Directors aware how Government expect the Bank to treat sovereigns received by it on Government account under the notification already quoted.

My Directors are aware that the Governor General of India in Council has the power under Act XIX of 1861—an Act to provide for a Government Paper Currency—to direct that notes to an extent not exceeding one-fourth of the total amount of issues represented by coin and bullion shall be issued at such Offices or Agencies of issue as may be named in the order in exchange for gold coin, &c.

balance of twenty five lakhs, or to pay interest on the daily sum by which it may fall below that minimum.

I have pointed out that at present the Government minimum is practically less than two thirds of what it engages to keep, because the remainder is in copper coins which do not circulate

An accumulation of sovereigns might deprive the Bank of any advantage whatever from the minimum cash balance which Government undertakes to maintain and so reduce the payment by Government for the duties it performs—a payment which is already admitted to be small enough.

But the question goes far beyond a reduction of the allowances made to the Bank for managing the Government business, it may affect the very stability of the Bank for it is quite possible to suppose that with a sufficient number of sovereigns in its coffers to pay, at Rs 10-4 each, every liability it could not discharge in current coin the cheques of its constituents for the balances at their credit.

My Directors desire therefore that you will take the earliest opportunity to bring the question to the notice of His Excellency the Governor in Council, and to ascertain for the information of my Directors, whether Government expect the Bank to give it credit in account for all sovereigns half sovereigns and gold mohurs, sent in at Rs. 10-4, Rs. 5 2, and Rs 15 respectively and if so, how it will relieve the Bank from a stock of inconvertible coin should an accumulation take place, and at what point it will deem interference necessary

It seems to my Directors necessary that in the interests of the shareholders of the Bank these points should be definitely settled

My Directors have endeavoured to explain the dangers which may menace the Bank from the operation of Notification No 3287 of 28th October, and which they cannot contemplate without grave apprehension They have also asked you to be good enough to obtain the sense of Government on the three points which must decide the course they will pursue under present circumstances But they desire very respectfully to observe that all inconvenience even from the operation of the notification may be at once obviated by declaring the gold coins therein referred to to be a *legal tender* The Honorable Mr Massey, in a memorandum dated 2nd February 1866, on the working of the Paper

Currency Act, observed: "Two points, however, may be considered as determined. One is that nothing short of the recognition of the sovereign, or some other denomination of gold coin, as a legal tender will suffice, and secondly, that the result of this recognition must be sooner or later the establishment of the more precious metal as the ruling standard." The question, therefore, has already been considered, and it is significant that the Honorable Mr. Massey's remarks were penned after the acknowledged failure of the experiment to introduce gold as part of the circulating medium.

From—E. H. LUSHINGTON, Esq., *Secretary to the Government of India, Financial Department, to the Secretary to the Government of Bombay,—No. 222, dated 9th January* 1869.

I am directed to acknowledge the receipt of your letter No. 1677, dated 18th November, forwarding a copy of a letter from the Secretary and Treasurer of the New Bank of Bombay, in which the Government of Bombay concur.

2. In reply, I am desired to observe that His Excellency the Governor General does not anticipate any possible inconvenience to the Bank from the notification of October 1868, as it will be always open to the Bank to forward sovereigns when received in payment of Government dues at the rate of Rs 10-4 to the Currency Department, and to receive in exchange at the same rates notes or silver, or such proportions of each as they may desire. As it is not the present intention of Government that these sovereigns should be paid away to the public but provisionally accumulated up to a moderate and manageable amount in the Mint for the purpose of being coined in 15, 10 and 5-rupee gold pieces under Act XVII of 1835, the Bank will of course avail themselves of this opportunity of exchanging gold for notes or silver whenever any appreciable amount of gold is paid into the general Treasury.

3. I am to add that at the market prices which sovereigns have recently commanded, there does not seem to be any immediate apprehension of inconveniently large quantities of this coin being paid in. If such emergency should arise, the Government would at the time decide what steps should be taken.

4. The above-mentioned notification, I am desired to point out, relates only to Government treasuries, and there is no intention whatever of requiring the Bank in its capacity as the Government Treasury to

undertake any duties or to undergo any inconveniences beyond those actually provided for in the agreement

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From E H. LUSHINGTON, Esq, *Secretary to the Government of India, Financial Department, to the Mint Masters, Calcutta, Madras and Bombay —No* 223, *dated* 9*th January* 1869

I am directed to request that as it is possible that sovereigns may be paid in considerable numbers into the Currency Departments through the Presidency Banks under the orders contained in the accompanying correspondence, you should be prepared to relieve the Currency Departments from the gold as it accumulates, paying them for each sovereign at the prescribed rate of Rs 10-4 0, and to coin these sovereigns into 15 10 and 5 rupee gold pieces according to the standard laid down in Section 7, Act XVII of 1835

* If you should not have dies in your possession to make these coins, they should be indented for from England without delay, of the same pattern and size as those which have been already ordered for the Calcutta Mint.

From E H LUSHINGTON, Esq, *Secretary to the Government of India, Financial Department to the Comptroller General of Accounts, the Head Commissioner of Currency the Accountants General, Madras and Bombay to the Commissioners of Currency, Madras and Bombay, —No* 224, *dated* 9*th January* 1869

I am directed to forward, for your information and guidance, a copy of the correspondence noted in the margin

From Acting Secretary t the Government, Bombay t Secretary to the Government of India, Financial Department, No. 1077 d ted 18th November 1868, and an enclosure
To the Secretary to the Government of Bombay No. 222, dated 9th January 1869.

2 The same course which has been prescribed for the Bank of Bombay should be equally observed by the Banks of Bengal and Madras.

3 If it should happen that the quantity of sovereigns paid into the Currency Department should appear likely shortly to reach the maximum limit of one-fourth, as laid down in Section 9, Act XIX of 1861, an immediate reference should be made to the Government of India for such further instructions as the Governor General in Council may deem proper to issue

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* For Madras and Bombay only

4 All officers in charge of Currency circles should be duly authorized to give notes or silver in exchange for sovereigns at the prescribed rate, but not to pay out any sovereigns which may thus be obtained.

From LIEUT-COLONEL H. HYDE, R.E., *Head Commissioner of Paper Currency, to the Secretary to the Government of India, Financial Department,—No. 568, dated 14th January* 1869.

In reply to your letter No. 223 of 9th January 1869, to the Mint Master, and No 224 of same date, to me as Head Commissioner of Paper Currency, I have the honor to point out that in the Currency Department the several Offices of Issue have been instructed to receive sovereigns and half-sovereigns at Rs. 10-4 and Rs 5-2 respectively, and that under the Currency Act XIX of 1861, the amount they were able to receive on the date of last return, *viz.*,—

		Coin and bullion Rs	Gold Rs
7th January 1869, was at	Calcutta	2,00,18,274	50,04,568
	Bombay . . .	2,58,01,669	64,50,417
	Madras . .	24,59,356	6,14,839
	Allahabad .	39,11,128	9,77,782
	Lahore	21,67,592	5,41,898
	Calicut	8,89,021	2,22,255
	Trichinopoly	4,92,911	1,23,227
	Vizagapatam	6,89,941	1,72,485
	Nagpore	32,18,498	8,04,624
	Kurrachee	30,31,054	7,57,763
	Akola . .	99,350	24,837
	TOTAL	6,27,78,794	1,56,94,695

2. A report will, in obedience to your instructions, be made immediately on any large influx of gold, but I have to solicit orders on the following case

3. The Act empowers me to hold one-fourth of the bullion and coin balances in gold. If gold to that amount should be tendered, and afterwards the silver balance be reduced by large withdrawals, how is the currency balance of gold to be reduced within legal limits?

4 In letter No. 225, you direct me as Mint Master to be prepared

"to relieve the currency from the gold as it accumulates, paying in silver for each sovereign and half-sovereign at Rs 10-4 and Rs 5-2 respectively"

5. I have to point out that, under orders of Government contained in letter No. 2273, dated 17th December 1866, the Mint holds no

balance and is unable therefore to pay for the sovereigns the working capital of the Mint is practically all Currency bullion

6 You further instruct me to coin these sovereigns into 15 10, and 5 rupee gold pieces I can carry out this order so far only as the 15 rupee piece is concerned Dies for 10 and 5 rupee pieces have never been made

7 I have to point out that the conversion of sovereigns into 15-rupee pieces will entail expense and loss in value as per margin If, then, this re-coined gold is to remain as mohurs in the currency balance I have to solicit instructions for meeting the expenses of converting sovereigns into mohurs

The Mint out-turn of 100 sovereigns at the minimum weight would be mohurs	67·2580
at Rs. 15 per mohur = Rs.	1010·87
100 sovereigns received by Government at Rs. 10-4 annas = Rs.	1025·00
Loss Rs.	14·63
	= 1 42 p. ct.

8 I have pointed out that the Mint having no balance cannot keep the gold coin If, then the Currency Department also cannot retain the gold coins they must be sent to the General Treasury I must therefore ask for orders to be issued for the General Treasury to reimburse the currency the cost of these coins at the original rate of Rs 10-4 and Rs. 5 2 in addition to Minting expenses.

From R B CHAPMAN, Esq *Officiating Secretary to the Government of India, Financial Department to the Head Commissioner of Paper Currency —No* 879, *dated 4th February*, 1869

I have the honor to communicate to you the orders of the Government of India upon your reference No. 508, dated 14th January

2 It is not the intention of the Government that the Currency Offices should at present receive sovereigns and half sovereigns in exchange for Indian coin, to any considerable extent, except from the Treasuries under the circumstances to be presently explained The Offices of Issue at the presidency towns may, and should exchange both sovereigns and Indian gold coins with the public at the rates specified in the Notification No 3257 dated 28th October 1868, in small quantities, for the convenience of individuals but nothing more. So far as the orders to which you reply may bear a different construction they are to be read with this interpretation

3 So also, it is not the design of the Government to depart in any way from the pledge given in the Notification that "sovereign ,

whenever available at any Government Treasury, shall be paid," at the rates notified, "to any person willing to receive them in payment of claims against the Government" So long as sovereigns pass freely and readily into circulation at these rates, there will be no occasion to recoin them into Indian gold pieces, and they are not to be sent to the Mints. Sovereigns and half-sovereigns are to be sent to the Mints for conversion into Indian coin only in case they accumulate in the Treasuries to an amount larger than the public are likely to take back in any moderate time upon the terms stated. The orders contained in para 2 of this Office letter of the 9th January, No. 223, are to be read with this construction.

4 You estimate the loss that will result from the conversion of English and Australian gold pieces into Indian gold coin at 1 42 per cent In your letter as Mint Master, No 624 of the same date, you reckon the loss on the conversion of 67,000 sovereigns at 8 per cent You have explained demi-officially that in the one case, you assumed the weight of sovereigns at the minimum, in the other at the standard legal weight It appears probable that the actual out-turn of any such operation would be something between the two estimates, and that at any rate the loss, calculated upon the principle which you have adopted, would not greatly exceed 1 per cent.

5. Your calculation, however, provides for a seignorage charge at the Mint of 1 per cent , and as this would be a mere inter-departmental debit, it appears that little or no loss is in fact likely to be incurred.

6 For the Mints, under these circumstances, to charge a seignorage to the Treasury, should they be called upon to convert sovereigns into Indian gold coins, appears to the Governor General in Council to be unnecessary, and His Excellency in Council is accordingly pleased to direct that no such charge shall be made.

7. And it is the desire of the Governor General in Council that whatever profit or loss may otherwise arise upon any such transactions that may occur, shall be adjusted in the accounts of the Mints It is not likely to be otherwise than quite inconsiderable.

8 Moreover, it seems to His Excellency in Council that so long as the Notification No 3287, dated 28th October 1868, remains in force, the Government practically undertakes to convert sovereigns and half-sovereigns into Indian gold coin without seignorage charge, for it offers to receive sovereigns and half-sovereigns at fixed rates in discharge of

Government dues, with the intention of converting them in case of need into Indian pieces.

9 It would seem to follow that no seignorage ought to be charged on sovereigns and half sovereigns received at the Mints as bullion (the only way in which the Mints *can* receive them), in case any of these coins should be so tendered by the public.

10 I am to invite an expression of your opinion upon this point and also upon the larger question whether, as it is desired to encourage the introduction of gold into the country, it would not be proper to receive bar gold and gold bullion in general upon the same terms, *i e*, to make no charge for its coinage This would be, you are aware, only to adopt a pratice largely in accordance with the example of the London Mint.

11 For the present, it is not likely that the Mints will be called upon to convert sovereigns largely into Indian coin and it is not probable that there will be the least difficulty in the way of the Government Treasuries issuing to the public any Indian gold pieces that may be coined These coins as yet stand at a considerable premium and have done so for a very long time while it was, and is the design of the Government that, under the Notification No 3287, dated 28th October 1868, they shall be issued at the value assigned to them by Act XVII of 1835 Upon the whole, it is highly improbable that the Treasuries will at present be inconvenienced by the accumulation of gold in either form.

12 So long as the Treasuries are relieved in the natural way of all the gold that reaches them, there is no occasion for the Currency Department to have anything to do with the matter

13 Should sovereigns and half sovereigns accumulate in the Treasuries to an amount in excess of the probable demand for gold in that shape the procedure will be for the Treasuries to transmit them direct to the Mint which will in usual course return to the Treasuries the outturn in Indian coin without deduction on account of seignorage.

14 And if contrary to the expectation of the Government of India, the Treasuries should find any difficulty in passing out the Indian gold pieces which may be coined under these arrangements they will then exchange them for notes for silver in the Currency Department so long as that Department can legally give them the accommodation Any consequent accumulation of gold in the Currency Offices at the Presidency Towns should be relieved, as far as possible, by remitting to the internal Currency Circles as much gold as they can legally hold

It will be time enough to consider what other measures should be adopted when the reserve of gold at the chief offices and the internal offices alike shall approach the legal limit. The Currency Department could at any time be relieved at once by transfer of any excess gold to the Treasury.

ORDERED that copy of Colonel Hyde's reference and of these instructions, omitting paras 8 to 10, be forwarded for information and guidance to the Government of Bombay, Comptroller-General of Accounts, Accountants-General, Bombay and Madras, Commissioners of Currency, Bombay and Madras, Mint Masters, Calcutta, Madras and Bombay, in modification of my letter dated 9th January 1869

Minute by the HONORABLE SIR RICHARD TEMPLE,—*Dated 5th June* 1868

In reference to the possible introduction of a gold currency for India, I submit that further measures should be considered for the accomplishment of this end

This would be in accordance with the recommendations addressed to the Government of India from all quarters, with the recorded opinions of three successive Finance Ministers, Mr Laing, Sir C Trevelyan, and Mr Massey, and with the express representations of the Currency Commission of 1866, under the presidency of His Excellency Sir W Mansfield, who is one of the first living authorities on the subject, and by whom the deliberations of Government in this matter have been most materially assisted

I am personally much indebted to His Excellency Sir William Mansfield for advice and support in the preparation of the case which I have now to lay before the Government of India

The notification by the Government of India issued in November 1864, declaredly with the view

"that the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated,"

though to some extent successful at first, has for some time remained inoperative, since few or no sovereigns are now presented at the treasuries, and in the opinion of the best informed authorities is likely to continue inoperative

The cause of this appears to be that, in the notification, the amount of ten rupees offered as equivalent for the sovereign is not generally sufficient

to attract sovereigns, as the above rate is somewhat below the average market value of the sovereign This result was indeed predicted in Sir W Mansfield's Minutes of 1864, and was indicated in Sir C Wood's despatch of 26th September 1864 This view is further enforced in the Currency Commission's report.

Inasmuch as the Secretary of State in the above despatch desired that gold coin should be received into the public treasuries at a rate to be fixed by Government, and further observed that

"it may be desirable to try as an experimental measure the course suggested,"

remarking that

"this would facilitate the use of sovereigns in India,"—

and inasmuch as the notification was issued to facilitate accordingly the influx of sovereigns, which object had not been attained apparently because the rate offered as equivalent for the sovereign was too low—I am of opinion that the question ought now to be considered of raising the proffered rate somewhat above ten rupees—a course which would *primâ facie* accord with the principles laid down by Sir C Wood

At the same time of the amount (understood to be about 500,000) of sovereigns received in the treasuries in consequence of the notification a large portion is believed to have been rapidly taken up by the public, while some portion (about 160 000) remaining in the treasury was transmitted to England in 1865 It may be that the last-named transmission was due to a particular state of the exchanges at the time This matter should be more particularly examined in the Financial Department.

The average market value of the sovereign—by which the rate to be offered as equivalent in rupees should be regulated—has been fully discussed in Sir W Mansfield's Minutes of 1864

The following passages may also be quoted from Sir Charles Wood's despatch of September 1864:—

"*Para* 16.—With regard to the first proposal of coining sovereigns in India, Mr Brown's paper contains a calculation of the cost at present of producing a sovereign at a Mint in India, and he estimates it at Rs. 10 4-6.

"17 With regard to the second proposal of importing sovereigns, Mr Dunlop's paper estimates the price calculated in rupees (and the rupees taken at the one-tenth part of an English pound) at which an English sovereign can be laid down at Calcutta, at Rs. 10-4-10 that of an Australian sovereign at Rs 10-2 0

"18. The prices at which Australian sovereigns have been actually sold at Calcutta, according to Mr Dunlop's papers give a higher value for the sovereign than this, and the prices of English sovereign which I have received from Bombay are also rather higher than the price above given.

"19 I do not know that, in the present exceptional state of the markets for produce in India, the present prices of the precious metals are a good criterion of their value On referring to the prices of silver in the markets of Europe, the intrinsic value of the sovereign in rupees would seem to be about Rs 10 8 at the present price of silver in London, and about Rs 10-12 at the price which prevailed some time before 1850"

Further, in reference to the possible consideration that the rate should be fixed mainly with regard to the price at which coined gold could be laid down in India from the cheapest and nearest source of supply—namely, Australia—the following passages from the Minute by Mr. Arbuthnot of September 1864 seem to show that regard ought also to be had to the price of coined gold from England —

"Mr Dunlop comes to the conclusion that British coined gold can be laid down in Calcutta at Rs 10-4-10 per sovereign I have ascertained from the Manager of the Oriental Bank that the actual cost of sovereigns sent by that establishment to India in 1863 was at the rate of Rs 10-3 4 The difference is important, because much stress is laid in the Minute (by Sir C Trevelyan) on the economy of direct transmission of gold from Australia to India"

Then further adverting to the following passage from Sir C Trevelyan's Minute that

"the sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is from Australia"—

Mr. Arbuthnot goes on to say—

"It might be a sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate * * Australia could not supply all the gold that might be required"

Again, he observes that

"sufficient consideration is not given to the circumstance that, notwithstanding the facilities afforded by the Australian market, it has yet been found profitable to our merchants to send direct from London one-third of the gold required in India"

Under all the circumstances, I propose, if His Excellency in Council shall approve, to consult the Governments of Bengal, Madras and Bombay as to the exact rate which shall be fixed above ten rupees, with a suggestion that they refer to any particular person or persons who might be experts in this matter I also propose that Mr Dickson, the Secretary to the Bank of Bengal (who is believed to be generally in favor of raising the rate), should be similarly consulted These several communications should be made confidentially.

After these opinions shall have been received and collated, the Government of India will I submit, be in a position to consider the propriety of issuing a fresh notification with a revised rating of the sovereign relatively to rupees

I would next observe that Section VII of Act XVII of 1835 relating to gold coinage for India, has never been repealed, and is still capable of being put in force. That section runs as follows —

And be it enacted that the under mentioned gold coins only shall henceforth be coined at the Mints within the territories of the East India Company :—

First —A gold mohur or 15-rupee piece of the weight of 180 grains Troy and the following standard, *viz* :—

11/12 or 165 grains of pure gold, or 15 grains of alloy

Second —A 5-rupee piece, equal to a third of a gold mohur

Third —A 10-rupee piece equal to two-thirds of a gold mohur

Fourth.—A 30-rupee piece or double gold mohur And the three last mentioned coins shall be of the same standard with the gold mohur and of proportioned weight.

By law then it would be possible to coin gold pieces each equivalent to ten rupees, according to the above standard

In special reference to the above, the following passages may be read from the report of the Currency Commission —

" *Para* 26.—The Commission would draw attention to the fact that the price of the gold mohur or Government piece of Rs 15, as fixed by Act XVII of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day

" 27 That price as sanctioned by law in 1835 seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of 10 and 5 rupees respectively the 10-rupee pieces having the weight of 120 grains, and the 5-rupee pieces 60 grains Troy *Vide* Section VII Act XVII of 1835."

In connection herewith, the following passage may be read from Sir C Wood s despatch of September 1864 :—

" I see no objection to reverting to a state of things which prevailed in India for many years—namely that gold coin should be received in the public treasuries at a rate to be fixed by Government, and publicly announced by proclamation. This was the case with the gold mohur or 15-rupee piece from 1835 till Lord Dalhousie s proclamation in 1852, and with other gold coins previously to the reformation of the currency in 1835 "

There may be doubt as to whether the proclamation of 1852 is any longer needed, and should not now be withdrawn Mr Laing s opinion expressed in 1862 may be quoted in support of this view

If gold pieces were now to be coined in the same way as they were from 1835 to 1852, the influx of gold into India, and the existence of considerable quantities of that metal in the country, might ensure the presentation of a sufficiency of gold at the Mints for coinage Irrespectively of the presentation of sovereigns, bar gold might be bought by the Mints for coinage when the operation could be effected remuneratively.

At the same time it might be considered whether power should be taken by the Government of India to declare, at such time as might be deemed proper, the gold coins to be legal tender in the same manner as was done by Sections VII and IX of Act XIII of 1862 for silver and copper coins.

Attention may be given to what has been urged in Europe with respect to a combined system of international and decimal coinage, whereby, among other things, the English sovereign would be assimilated to a gold piece having the exact value of 25 francs It may be remarked that the standard value of such a piece, *viz.*, of 25 francs, would approximate in intrinsic value to the 10-rupee gold piece of 1835, the latter being apparently slightly less than 25 francs, while the sovereign is 20 centimes more Without committing myself to any opinion, I would just observe that possibly hereafter a bridge may have to be found to the execution of the plans which have been debated in Europe The points involved in this part of the subject are worthy of further discussion, and of reference to competent authorities.

I apprehend that the question of coining gold pieces, either under the provisions of Act XVII of 1835, or else with reference to some other standard value as might be fixed after enquiry, ought under all the circumstances to be eventually referred to the Secretary of State

In respect to declaring gold coins to be legal tender in India, I incline to think that, before adopting this course, it would be better to await the effect of receiving sovereigns at the revised rating, and of the coining of the proposed gold pieces at the Mints.

I propose, if His Excellency in Council shall approve, that the above points in reference to the coining of gold pieces in India should be referred confidentially to the Governments of Madras and Bengal, and to the Secretary to the Bank of Bengal, with special reference to the more exact determination of the relative values of gold and silver in India, it being borne in mind that the evidence submitted by the Currency Com-

mission is now two years old, and that the tendency of gold to rise in value, which was remarked by Sir W Mansfield in 1864 (*vide* note to page 135 of papers relating to gold currency), has somewhat declared itself since he wrote

R. TEMPLE.

I agree to this
5th June 1868 J L

W R. M

8th June 1868 G N T

H S M

I concur in the propriety of making the enquiries desired by Sir R Temple.

13th June 1868 J S

I also
13th June 1868 H M D

From E H LUSHINGTON Esq, *Secretary to the Government of India, Financial Department, to the Secretaries to the Governments of Bengal, Madras and Bombay,—No* 760, *dated 30th June* 1868

It is doubtless known to the Government of (Bengal Madras Bombay) that questions relating to the possible introduction of a gold currency into India have been under the consideration of the Supreme Government, and I am now to request the expression of opinion, in a confidential form on the following points.

2 The notification issued by the Government of India in November 1864 declaredly with the view that

"the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated,

though to some extent successful at first, has for some time remained inoperative inasmuch as few sovereigns are now presented at the treasuries, and in the opinion of the best informed authorities seems likely to continue inoperative

3 The cause of this is understood to be that in the notification the amount of Rs 10 offered as equivalent for the sovereign is not generally sufficient to attract sovereigns, inasmuch as the above rate is somewhat below the average market value and the intrinsic value of the sovereign

4 Now, inasmuch as the Secretary of State, in his despatch of the 16th September 1864, desired that gold coin should be received into the public treasuries at a rate to be fixed by Government, and further observed that

"it may be desirable to try as an experimental measure the course suggested,"

remarking that

"this would facilitate the use of sovereigns in India,"

inasmuch, too, as the notification of November 1864 was issued accordingly to facilitate the influx of sovereigns into India, which object had not been attained, apparently because the rate offered for the sovereign was too low,—the Government of India now deem that the question of the propriety of somewhat raising the proffered rate above Rs. 10 is one that claims early attention

5 It will doubtless be in the recollection of the Government of (Bengal, Madras, Bombay) that the average value of the sovereign, by which it is generally held that the rate to be offered as equivalent should be regulated, has been fully discussed in Sir William Mansfield's Minutes of 1864. Also paragraphs 16 to 19 inclusive of the Secretary of State's despatch of 26th September 1864 bear on the same subject

6 Further, in reference to the possible consideration that the rate should be fixed mainly with reference to the price at which coined gold could be laid down in India from the cheapest and nearest source of supply—namely, Australia—the Government of India would ask attention to the following passage in Mr George Arbuthnot's Minute of September 1864 Adverting to Sir C Trevelyan's opinion that

"the sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply,—that is from Australia,"—

Mr. Arbuthnot goes on to say—

"It might be sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate * * * * Australia could not supply all the gold that might be required"

Again, he notes that

"notwithstanding the facilities afforded by the Indian market, it has yet been found profitable to our merchants to send direct from London one-third of the gold required in India"

7 Under all the circumstances, the Government of India wish to be favored with the opinion of the Government of (Bengal, Madras, Bombay) as to whether the equivalent of Rs 10 offered for the sovereign in 1864 should now be revised, and if so, what exactly the new rate

should be On such a subject it is manifestly desirable that some selected gentlemen, who from special experience may be experts in this matter, should be confidentially consulted. And if the Government of (Bengal, Madras, Bombay) should see fit to consult any such gentlemen, the Government of India would desire to be placed in possession of their opinions. It is evident that on a consideration of the average rates which have actually prevailed in past years, and which may be expected to prevail in the immediate future the new rate to be offered for the sovereign should be fixed as precisely as may be reasonably possible If it be proposed too low then sovereigns will hardly be presented at the treasuries. If it be proposed at a rate which might be deemed high, then sovereigns will probably be presented, but in that case the subsequent disposal of them might be difficult. Whereas our object should clearly be to establish a rate which, while not prohibiting their presentation, as seems to be the case at present, should induce the public to look to the superior convenience of gold as a measure of value when realizing dues from the public treasuries. These various considerations will doubtless occur to any experts who may be consulted

8 Further it will be in the recollection of the Government of (Bengal, Madras, Bombay) that section VII of Act XVII of 1835, relating to the coinage of gold pieces in India, has never been repealed, and is so far still capable of being put in force if that course should be found expedient.

In connection herewith, the following passage may be read from Sir C Wood's despatch of September 1864 :—

"I see no objection to reverting to a state of things which prevailed in India for many years—namely that gold coin should be received into the public treasuries at a rate to be fixed by Government. This was the case with the gold mohur or fifteen rupee piece from 1835 till Lord Dalhousie's proclamation in 1852 and with other gold coins previously to the reformation of the currency in 1835"

9 It appears that many authorities are now of opinion that the objects for which the proclamation of 1852, prohibiting the receipt of gold mohurs in the treasuries was issued do hardly now exist; and Mr Laing in 1862 expressed an opinion to the effect that such a proclamation had ceased to be wanted Under all the circumstances, there is reason for considering whether this proclamation should not now be withdrawn And on this point I am to invite the opinion of the Government of (Bengal, Madras Bombay)

10 It may be worthy of observation that if gold pieces were to be coined now in India, as formerly, the influx of gold into India and the

existence of considerable quantities of that metal in the country might cause the presentation of a sufficient amount of gold at the Mints for coinage. Also bar gold could be bought by the Mints for coinage, whenever the operation could be effected remuneratively.

11. But here a question arises as to whether the standard value of the fifteen-rupee or ten-rupee gold piece as fixed by Act XVII of 1835 is, or is not, perfectly applicable to the present time and to the immediate future. The Currency Commission indeed declared in paragraphs 26 and 27 of their report that

"the Commission would draw attention to the fact that the price of the gold mohur or Government piece of Rs 15, as fixed by Act XVII of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of Rs 10 and 5 respectively, the ten-rupee piece having the weight of 120 grains, the five-rupee piece of 60 grains'

12. But since 1866, when the evidence submitted by the Commission was taken, gold has at times risen in value, and the tendency of gold to rise in value remarked by Sir William Mansfield in 1864 has somewhat further declared itself since that date. Consequently, there may be room for doubt whether, if gold pieces were now to be coined, the standard value as fixed in Act XVII of 1835, or some other standard, should be adopted This is an important point to which the Government of India would specially ask the attention of the Government of (Bengal, Madras, Bombay), and of any gentlemen whose advice may be sought for.

13 I am to add that at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender As at present advised, it would prefer to wait and see whether the adoption of the tentative measures brought under consideration in this despatch shall be found practicable, and whether, if adopted, they realized the anticipations that might be formed of them.

14. But if it be considered that, for any special reasons, legal tender should be at once recommended, then such reasons can be urged either by the Government of (Bengal, Madras, Bombay), or by those who may be consulted.

15 The two main questions now proposed—namely, *1st*, at what rate, as equivalent in rupees, should English and Australian sovereigns be taken at the public treasuries, *2nd*, at what standard value should ten-rupee gold pieces be coined, supposing such coinage were resolved upon—are in some respects connected with each other, and to them the Government of India would invite early though careful attention

P S for letter to Government of Bengal—The Secretary to the Bank

of Bengal has been consulted direct by this Government, and has been furnished with a copy of this letter The Government of Bengal will, however, no doubt consult with Mr Dickson directly

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From G H M BATTEN, Esq *Under-Secretary to the Government of India, Financial Department to the Secretary to the Bank of Bengal —No* 767 *dated* 30*th June* 1868

I am directed to forward the accompanying copy of a despatch to the Government of Bengal, on the subject of the introduction of a Gold Currency into India, and to request an expression of your opinion on the points noted therein

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From GEORGE DICKSON Esq *Secy and Treasurer, Bank of Bengal to the* HON SIR RICHARD TEMPLE,—*Dated* 10*th August* 1868

Again apologizing for the delay which has unavoidably taken place in replying to your favour of 2nd July I now take up the several points adverted to therein *viz*,—

I To get sovereigns into the country in large quantities by raising the rate from Rs 10 to *Rs* 10-4 *or even higher* —As the proposed measure offers a direct advantage to the importer, it is decidedly preferable to the indirect method of attaining the same object by the imposition of additional restrictions on the importation of silver But as it is contemplated to introduce the measure as a tentative and experimental one only without declaring sovereigns legal tender I am of opinion that its success will in consequence be slower and more doubtful So long as sovereigns command as they do at present a higher price than that which it is proposed to fix, it is quite certain that they will not find their way into the Government treasuries; but the present state of things is I think entirely exceptional and the market will ere long return to its normal condition The subject must be discussed, therefore, not in relation to the existing state of matters, but with reference to the experience of a series of years. At the same time I do not think that it would be safe to be guided altogether by the price of gold during the few years ending in 1864, when it was imported in increasing quantities to meet the adverse balance of trade caused by high priced cotton exports to England.

The latest quotation for sovereigns in this market is Rs 10 11 0 which gives the value of an ounce of silver laid down in Calcutta at 4s 11¼ 8d but the average price for the first six months of 1868 is R 10 10 2 only indicating the price of bar silver at 5s 0⅛ 32d For

1867, the mean average rate of the sovereign is Rs. 10-7-6, and of gold, 24 carats fine, Rs. [illegible]. Taking the mean average of the last 3½ years, ending [illegible], the price of the sovereign in Calcutta is Rs. 10-2-[illegible], and of bar gold of 24 carats fine Rs. [illegible], indicating the value of an ounce of silver [illegible].

So long as silver makes a better remittance to India than gold from Australia, the certainty is that India will not receive any considerable quantity of the latter metal.

In his despatch of 26th September 1864, the Secretary of State says:—

"[illegible] the intrinsic value [illegible] Rs. 10-8-[illegible] and about Rs. 10-12-0 [illegible]."

Then, again, Sir William Mansfield, in his Minute of 8th March 1864, writes:—

"[illegible] equal to [illegible] which may be con[illegible] and silver [illegible] if the [illegible] must be taken at [illegible] the difference between the two sums being [illegible] if the sovereign were coined in India [illegible]."

Taking, then, the several estimates of values, we arrive at the mean average relative value of Rs. 10-1-1.

I would, however, desire to guard myself, by stating that so long as gold is not legal tender in India, it must of necessity be subject to the same fluctuations in value as all ordinary mercantile commodities are, under the universal law of supply and demand.

Is it reasonable, then, to assume that it will pay the importer to part with his gold at the proposed fixed rating of Rs 10-1-0?

By withholding the declaration of legal tender, and owing to a not improbable apprehension that, on the slightest fall in the value of the metal, Government may be induced to rescind the resolution of rating at Rs 10-1-0, the importation of gold will not be so free and certain, except under very exceptional circumstances similar to those which occurred during high prices of cotton, when gold was imported in place of general merchandise, the demand for which was at that time unequal to maintain the balance of trade.

The action taken by Government in 1852 of prohibiting the receipt of gold mohurs into the treasuries in payment of public dues, has left an unfavorable impression on the public, and they will hardly be disposed

to place greater confidence in similar measures now, and so long as the balance of trade between this country and England can be adjusted with more certainty by the bills of the Secretary of State, Government securities, and bills of exchange, the importer will not subject himself to the risk of loss arising out of the possible action of Government.

To this it may be answered that Government will not alter the proposed rating without giving a few months' public notice in the *Gazette* Such a modification would doubtless tend to mitigate the evils inherent in the proposed measure and I do not think that Government could run much risk of loss in the event of large importations and payments being made into the public treasuries should the price of gold fall below the proposed rating of Rs 10-4-0 Inconvenience to Government can be averted to a great extent, first, by availing of the clause in the Currency Act which admits of the reserve in coin being held in the proportion of one-fourth of gold to three fourths of silver and (secondly) by remittances to England in communication with the Secretary of State, should the gold receipts inconveniently increase.

In September 1865 the Government of India transmitted to England £160 000 in sovereigns which after deducting freight and insurance yielded at the rate of 1*s* 11¼ 06*d* per rupee against 1*s* 11¾*d*, the then average selling rate of the Secretary of State on the general Treasury But in 1866, when the bills of the Secretary of State were unsaleable at 1s 10d on Calcutta, and at 1*s* 10½*d* on Bombay, the Government of India remitted in sovereigns and gold bullion Rs 22,38,730, which, with freight and insurance added, brought the amount nominally to Rs. 22 92 062, the outturn of which yielded £221 034 2-8, equal to an exchange per rupee of 1*s* 11 20*d* In like manner, and including freight and insurance Rs 51,37 569 15 1 in silver bars were sent to England in the same year and the outturn was equal to 1*s* 10 13*d*

Although I would prefer the sovereign being made legal tender at the proposed rating of Rs 10 4-0 along with the concurrent circulation of an Indian coin of 120 grains as the equivalent of Rs 10 I am of opinion that the proposed rating at Rs 10 4 0, without making the sovereign legal tender, would be a safe measure on the whole, and a great improvement on the existing state of matters

II To obtain permission from the Secretary of State to coin 10 *rupee gold pieces at or about the standard of* 1835 —I have gone over the *Gazette* containing the several notifications connected with the coinage of gold and I cannot discover that Act XVII of 1835 (see *Gazette* of 10th August 1835, page 602)—which permits the coinage of (1) a gold

mohur of Rs 15, weight 180 grains troy, 11-12 parts fine, (2) a five-rupee piece equal to a third of a mohur, (3) a ten-rupee piece equal to two-thirds of a mohur; (4) a thirty-rupee piece or double goldmohur of the same standard—has been repealed

In 1841, officers in charge of treasuries were authorized to receive gold coins issued in conformity with Act XVII of 1835 until they shall have passed the limits of lightness allowed for wear. But on 22nd December 1852, it was notified that after 1st January 1853 no gold coins shall be received on account of payments due, or to be made to Government at any public treasury within the territories of the East India Company It therefore appears to me that the sanction of the Secretary of State is not indispensably necessary, unless it is proposed to alter the existing value, which, I submit, it is not expedient to do.

III. When we get the sovereigns from abroad, to send them to the Mint for re-coinage in 10-rupee gold pieces, to get for coinage as above, bar gold and various sorts of gold bullion —The coinage of an Indian gold sovereign, which will be an exact multiple of the rupee, is highly desirable, even should English sovereigns be rated and received as Rs 10-4. As the value of all commodities, transactions, obligations, and contracts will continue to be expressed in rupees even should gold become the standard, the facility of conversion from one denomination to another is of the first importance, and gold pieces representing the value of Rs. 10 will be readily preferred to the sovereign valued at Rs 10-4

IV. When we shall have succeeded in getting sufficient quantities of 10-rupee gold pieces and sovereigns into circulation, to go up to the Secretary of State with a really strong case for legal tender, the 10-rupee gold pieces at par and the sovereign at Rs 10-4, or whatever rate may be fixed —In treating of the first question, I have pointed out the probable difficulty of both obtaining an abundant supply of gold, and putting gold coins into circulation to any great extent, so long as uncertain or optional value attaches to that metal under the proposed fluctuating rating In other respects, I most fully concur in the expediency of the measure proposed for adoption

V To see whether the 10-rupee gold piece will not drive out the sovereign and acquire such a position as to be made not only legal tender, but the sole standard, reducing silver to a token status —It is very probable that the 10-rupee gold piece will be much more popular and more generally used in the daily transactions of business than the sovereign, and the course indicated of declaring it legal tender, on a certain con-

tingency happening, will, I venture to think, be hailed by the public generally as a great boon

Having briefly adverted to the several points raised in your letter, I would respectfully submit—

(1) That it is safer for Government to value the sovereign at Rs. 10 4 than at a higher rating since it is not to be declared legal tender at once. Besides a higher rating than Rs 10-4 would render necessary a re-adjustment of the Indian gold piece of 120 grains, inasmuch as it would be worth more than Rs. 10

(2) That the high prices at which sovereigns and bar gold have been selling for some time past are referable not to an actual rise in the value of gold relative to silver, but to an exceptionably low rate of exchange which practically shuts out gold from our market. Sovereigns have been sought eagerly by persons returning to England, or by those who intend to travel on the continent, and who prefer to pay a smart premium on sovereigns to a heavier loss in exchange on bills on London or on circular notes.

So soon as the rate of exchange returns to its normal condition (see accompanying table with rates of exchange since 1838), I think it probable that advantage will be taken of the facilities proposed to be offered to the importer of gold, and that it will find its way in *considerable* quantities under the rating of Rs. 10-4

Lastly, I am of opinion that the present is a favorable opportunity for fixing the value of the sovereign relative to the rupee at Rs. 10-4, as it could not be said that it would injuriously affect either public or private creditors and because it would have the effect of checking the depreciation in the value of gold beyond the point assigned by notification, when a reaction does take place

Generally the measure proposed is eminently safe as a tentative and experimental one and if successful is calculated to lead to the inauguration of a larger and more important change in our currency Should it on the other hand, contrary to expectation, prove to be a source of inconvenience through a redundant supply of gold, thereby indicating a considerable fall in its value relative to silver the probable loss arising on the remittance of the gold to England with a view to meet home disbursements is not likely to be of great moment when measured against the average rate obtained by the Secretary of State for bills on the Indian treasuries

Along with this you will receive the following enclosures, *viz* —

I. Table showing the actual market price of gold bullion and sovereigns in Calcutta, in continuation of former returns between January 1863 and June 1868

II Table of average rates of exchange between Calcutta and London in the several months of each year from January 1838 to 31st December 1866, with rates of interest charged by the Bank of England and the Bank of Bengal.

III. Minutes of Evidence given before the Select Committee appointed to enquire into the cause of the high price of bullion, 20th March 1810, by the King's Assay Master of the Mint and by Dr Kelly, setting forth the relative value between gold and silver in England and foreign countries, according to actual assays

If in any way I can be of further service, you will find me ready at any time to do all I can. Meantime, believe me, &c.

Table showing the actual market price of gold bullion and sovereigns in Calcutta from 1863 to 1865

MONTHS.	1863.		1864.		1865.	
	Gold 24 Carats.	Sovereigns.	Gold 24 Carats.	Sovereigns.	Gold 24 Carats.	Sovereigns.
	Per tola.		*Per tola.*		*Per tola.*	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
January	10 1 0	10 3 6	15 7 0	10 1 0	15 11 0	10 0 0
	—	—	15 12 0	10 1 0	15 10 0	10 0 0
February	—	—	15 0 0	10 1 3	15 12 0	10 0 0
	—		15 2 0	10 1 0	15 12 0	10 0 0
March	—	—	16 1 0	10 0 3	15 12 0	10 0 0
	—	—	15 0 0	10 1 0	15 12 6	10 0 0
April ...		10 5 6	10 2 3	10 0 0	15 11 0	10 0 0
	16 2 0		15 2 0	10 1 0	15 12 3	10 0 0
May ...	15 5 0	10 5 0	15 0 0	10 2 0	15 11 0	10 1 6
	10 5 0	10 5 6	15 15 0	10 1 5	15 10 0	10 0 5
June ...	10 2 0	10 0 0	15 11 0	10 1 6	15 12 0	10 0 3
		—	—	—	—	—
	15 7 0	10 4 0	15 12 0	10 2 0	15 12 0	10 0 3
July ...	15 3 3	10 2 0	15 13 0	10 5 0	15 2 0	10 0 3
	15 1 0	10 2 3	15 13 0	10 1 6	15 11 0	10 2 0
August ...	15 0 0	10 2 6	15 0 0	10 1 0	16 11 6	10 2 6
	15 2 6	10 2 0	16 12 6	10 0 0	15 10 0	
September	15 3 6	10 2 3	15 11 0	10 0 0	15 11 0	10 2 0
	15 2 3	10 2 6	15 11 3	10 1 3	15 11 3	10 2 6
October	15 4 0	10 4 3	15 11 0	10 5 6	—	—
	—	—	—	—	15 2 0	10 1 3
November	16 4 3	10 6 0	15 13 0	10 2 3	15 1 0	10 1 0
	15 4 0	10 3 6	15 15 0	10 0 3	16 2 0	10 1 0
December ...	15 13 0	10 1 3	15 15 0	10 0 0	15 2 0	10 0 6
	15 11 3	10 1 0	15 11 0	10 6 0	15 2 0	10 4 3

Table showing the actual market price of gold bullion and sovereigns in Calcutta from 1866 *to* 1868

MONTHS	1866. Gold 24 Carats	1866. Sovereigns	1867. Gold 24 Carats	1867. Sovereigns	1868. Gold 24 Carats	1868. Sovereigns.
	Per tola		*Per tola*		*Per tola.*	
	Rs A P	Rs A P	Rs A P	Rs A P	Rs A P	Rs A. P
January	16 4 0	10 4 0	16 1 0	10 3 0		10 6 0
			16 4 0		16 7 0	10 8 0
February	16 12 0	10 4 0	16 3 0	10 3 0	16 13 0	
	16 11 0		16 4 0	10 4 0	16 15 0	10 9 0
March	16 2 0	10 4 0	16 6 0	10 5 0	16 10 0	
				10 4 0	16 12 0	10 10 0
April			16 8 0	10 6 0		10 7 0
	16 3 0					10 11 0
May	16 2 0		16 9 0	10 6 0	17 3 0	10 14 0
	16 1 0			10 8 0	17 4 0	10 15 0
June	16 14 0		16 11 0		16 15 0	10 13 0
						10 12 0
	16 10 0				16 13 0	10 10 0
July			16 10 0			
	16 13 0					
August	16 3 0		16 13 0			
	16 5 0		16 13 0	10 11 0		
September			16 13 0	10 11 0		
			16 13 0	10 10 0		
October	......					
			16 7 0	10 7 0		
November	16 8 0	10 5 0	16 4 0	10 6 0		
		10 6 0				
December	16 9 0	10 4 0				

Average rates of Exchange Calcutta on London for 6 months sight bills—also Bank of England and Bank of Bengal rates of discount for the under-mentioned years

YEARS.	January			February			March.			April.		
	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.
	s. d.			s. d.			s. d.			s. d.		
1838	2 0·04	...	...	2 0·86	...	...	2 1·20		...	2 1·30	...	...
1839	2 1·73	...	...	2 1·73	...	...	2 1·57	...	...	2 1·72	...	...
1840	2 1·31	...	...	2 1·60	...	...	2 1·25	...		2 1	...	...
1841	2 1·25	...	...	2 0·81	...	...	2 0·25	...	...	2 0·75	...	...
1842	2 1·45	...		2 1·63	...	...	2 1·70	...	...	2 2·06	...	...
1843	2 0·15	...	...	2 0·37	...	...	2 0·80	...	...	2 0·08	...	...
1844	2 0·25	...	...	2 0·06	...	...	1 11·44	...	...	1 11·03	...	...
1845	1 10·69	4	6	1 10·23	4	6	1 10·80	3½	5	1 10·39	½	6
1846	2 0·84	6½	6	2 0·76	3½	5	2 0·93	5½	9½	2 1·25	6½	10
1847	2 0·35	5½	6	2 0·72	4	10	2 1·29	4	10½	2 0·81	5	11
1848	1 10·91	5	6	1 10·81	4	7½	1 10·70	4	7	1 10·86	4	7
1849	1 10·50	5	5	1 10·80	5	5	1 10·29	6	6	1 10·12	5	6
1850	1 11·63	2½	5	1 11·45	2½	5	1 11·77	5½	5½	2 0·15	5½	6
1851	2 2·26	6	6½	2 2·43	3	5	2 1·44	6	5½	2 0·15	6	6
1852	2 1·80	2½	5	1 11·93	2½	5	1 11·24	2½	7	1 11·73	2½	6
1853	2 1·12	5½	4	2 1·93	3	4	2 0·57	3	4	2 1·25	3	4
1854	2 1·65	5	6	2 0·81	5	5	2 0·77	5	6	2 0·83	6	6
1855	2 0·25	6	6	2 0·93	5	10	2 1·21	6	11	2 1·63	4½	10
Monthly Aggregates ...	36 5·44	80½	71½	36 6·87	80½	73½	36 5·61	80	77	36 6·93	31½	76
Monthly Averages ...	2 0·33	3½	6½	2 0·50	6½	6	2 0·39	3½	7	2 0·39	5½	7

Average rates of Exchange Calcutta on London for 6 months' sight bills—also Bank of England and Bank of Bengal rates of discount for the under-mentioned years,—continued

YEARS	MAY			JUNE			JULY			AUGUST		
	Exchange	Bank of England Rates	Bank of Bengal Rates	Exchange	Bank of England Rates	Bank of Bengal Rates	Exchange	Bank of England Rates	Bank of Bengal Rates	Exchange.	Bank of England Rates	Bank of Bengal Rates
	s d			s d			s d			s d		
1838	2 1 44			2 1 66			2 1 80			2 1 62		
1839	2 1 76			2 1 75			2 1 84			2 1 98		
1840	2 0 70			2 0 31			2 0 06			2 0 45		
1841	2 1			2 1 12			2 1			2 0 56		
1842	2 1 75			2 1 22			2 1 35			2 1 75		
1843	2 0 69			2 0 50			2 0 02			1 11 97		
1844	1 11 31			1 11 50			1 11 28			1 10 95		
1845	1 10 77	2½	7	1 11 18	2½	7	1 11 19	2½	7	1 10 95	2½	
1846	2 1 10	3½	10	2 2 38	3½	10½	2 2 20	3½	10½	2 0 50	3½	9½
1847	2 0·66	5	11	2 0 56	5	11	2 0 40	5	11	1 11 60	5½	9
1848	1 10 24	4	7	1 10	3¾	7	1 9 80	3½	6	1 9 44	3½	
1849	1 10 34	3	5	1 10 49	3	5	1 10 30	3	5	1 10 40	3	
1850	2 0 73	½	7	2 0 23	2½	7	2 0 51	2½	7	2 0 58	2½	7
1851	2 0 60	3	6	2 1 36	3	6	2 0 84	3	6	2 0 94	3	6
1852	2 0·32	2	5	2 0 06	2	5	2 1 12	2	5	2 0·70	2	5
1853	2 1 42	3	4	2 1 87	2½	4	2 0 98	2½	4	2 1 01	2½	4
1854	2 0 65	5½	5	2 0 24	5½	5	2	5½	5	1 11 77	5	5
1855	2 1 72	4	9	2 1 72	3¾	9	2 1 75	3½	9	2 1·75	3½	11
Monthly Aggregates	36 0·20	37¼	76	36 10 50	36½	76½	36 8 59	36¼	75½	36 5 07	36½	74½
Monthly Averages	2 0 51	3 4/10	7	2 0 58	3 3/10	7	2 0 48	3 3/10	6 9/10	2 0 28	3/10	6½

Average rates of Exchange Calcutta on London for six months' sight bills—also Bank of England and Bank of Bengal rates of discount for the years 1856 *to* 1866 *inclusive*

YEARS.	January			February			March.			April.		
	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.
	s. d.			s. d.			s. d.			s. d.		
1856 ...	2 2·25	6½	12	2 2·375	6½	12	2 2·25	6½	10	2 1·625	6½	12
1857	2 2·25	6	10½	2 2·25	6	12	2 1·75	6	10	2 1·375	6½	7½
1858	2 1	6½	11	2 1	3½	9	2 1·25	3	8	2 1	3	8
1859 ...	2 1·125	2½	7½	2 1·25	2½	8	2 0·875	2½	8	2 1	2½	8
1860	2 0·75	2	7	2 1·25	4	8½	2 1·0	4	12	2 1	5	8
1861	2 1·125	7	8½	2 0·75	8	6	2 1·125	7	8	2 0·875	6½	8
1862 ...	2 0·625	2½	4½	2 0·5	2½	8	2 0·625	2½	7½	2 0·5	2½	7½
1863 ...	2 0·625	4	8	2 0·625	5	8	2 0·125	4	8	2 0·0	3½	6
1864 ...	2 1·5	7½	11	2 2	8½	11	2 1·5	8	11	2 1·125	6½	10½
1865 ...	2 1·375	4½	8½	2 1·75	3	11½	2 0·5	4½	11½	2 0·875	4	9½
1866 ...	2 1·75	8	12	2 1·625	8	12½	2 2	6½	12½	2 1·375	6½	10
Monthly Aggregates ...	23 2·875	6 [illegible]	96½	23 2·75	57½	115½	23 1·2	51½	107½	23 10·75	61½	98
Monthly Averages ...	2 1·307	6½	8½	2 0·34	6½	9½	2 1·23	4½	9½	2 0·97	4½	9

Average rates of Exchange Calcutta on London for six months' sight bills—also Bank of England and Bank of Bengal rates of discount for the years 1856 *to* 1866 *inclusive*,—continued

YEARS	May: Exchange	May: Bank of England Rates	May: Bank of Bengal Rates	June: Exchange	June: Bank of England Rates	June: Bank of Bengal Rates	July: Exchange	July: Bank of England Rates	July: Bank of Bengal Rates	August: Exchange	August: Bank of England Rates	August: Bank of Bengal Rates
	s d			*s d*			*s d*			*s d*		
1856	2 1·125	6	10½	2 1·25	5	8½	2 1·25	4½	6	2 1·25	4½	5
1857	2 2·125	6½	6	2 2	6¼	8	2 2·25	5¾	8	2 3·25	5½	10
1858	2 0·75	3	8	2 0·25	3	8	2	3	8	2 0·5	3	7
1859	2 1·25	4¼	8	2 0·5	3¼	7½	2 0·5	2¼	6½	2 0·375	2½	6
1860	2 0·875	4½	6	2 0·25	4	5	2 0·375	4	5	2 0·75	4	5
1861	2 0·75	5½	8	2 0·625	6	8	2 0·625	6	8	2 0·875	4¾	6
1862	2 0·25	2½	7½	2 0·875	3	6½	2 0·25	2½	6½	2 0·25	2	5
1863	2 0·5	3½	6	2 0·375	4	6	2 0·25	4	6	2 0·375	4	6
1864	2 0·75	8½	10	2 0·75	6½	8	2 1·125	6	7	2 1·625	8	9
1865	2	4½	7½	2	3¼	6½	2 0·125	3	5½	2 0·25	4	4
1866	2 0·75	10	13½	2 0·375	10	12	1 11·75	10	9	1 11·75	8	7
Monthly Aggregates	22 9·125	58¾	91	22 6·750	54¼	84	22 6·500	51¼	75½	22 8·750	50¼	69
Monthly Averages	2 0·829	5⅓	8⅓	2 0·616	5	7⅔	2 0·582	4⅝	6¾	2 0·780	4⅛	6¼

Average rates of Exchange Calcutta on London for six months' sight bills—also Bank of England and Bank of Bengal rates of discount for the years 1856 *to* 1866 *inclusive,*—continued

YEARS.	September.			October.			November.			December.		
	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.	Exchange.	Bank of England Rates.	Bank of Bengal Rates.
	s. d.			s. d.			s. d.			s. d.		
1856	2 1·25	4½	4	2 1·5	6	4	2 2·25	7	5	2 2·375	6½	6
1857	2 2·25	4½	11	2 2·125	7½	11	2 1·75	10	11	2 1·5	9½	11
1858	2 0·75	3	8	2 0·75	3	6	2 0·75	3	6	2 0·875	2½	6½
1859	2 0·625	3½	6	2 0·5	2½	6	2 0·625	2½	6	2 0·875	2½	6
1860	2 0·5	4	5	2 1	4	5	2 1·25	5	6	2 1·25	5	5
1861	2 0·25	3½	6	2 0·5	3½	6	2 0·75	3	5½	2 0·5	6	4½
1862	2 0·625	2	5	2 0·875	2	6	2 0·875	3	6	2 0·625	6	6
1863	2 0·5	4	6	2 0·70	4	7	2 1·375	6	11	2 2	7½	11
1864	2 1·75	8	9½	2 1·25	8	9½	2 1·25	7½	7½	2 1·125	6½	7
1865	2 0·875	4	4	2 1	7	8	2 0·875	6½	8	2 1·375	8	8
1866	2	5	8	2 0·375	5	6	2 0·375	4	8	2 0·125	4	8
Monthly Aggregates	22 9·875	47½	64½	22 10·625	53½	72½	23 0·625	57½	74	23 1·625	55½	78
Monthly Averages	2 0·875	4½	6½	2 0·966	4½	6½	2 1·147	5½	6½	2 1·239	5	7

Average rates of Exchange Calcutta on London for six months' sight bills—also Bank of England and Bank of Bengal rates of discount for the years 1856 *to* 1866 *inclusive*,—continued

YEARS	Annual Aggregates Exchange	Annual Averages Exchange	Annual Aggregates Bank of England Rates	Annual Averages Bank of England Rates	Annual Aggregates Bank of Bengal Rates	Annual Averages Bank of Bengal Rates	REMARKS
	s d	s d					
1856	25 8 75	2 1 73	69¾	5⅝	97	8	First class Credits
1857	26 0 05	2 2 00	80¾	6⅜	117	9¾	
1858	24 8 875	2 0 74	38½	3¼	91½	7⅝	
1859	24 9 5	2 0 8	33	2¾	83½	7	
1860	24 10 625	2 0 9	50½	4¼	74½	6¼	
1861	24 8 25	2 0 69	62¾	5¼	76½	6	
1862	24 6 375	2 0 53	30	2½	74	6⅙	
1863	24 9 5	2 0 8	53¼	4½	88	7	
1864	25 3 75	2 1 31	87½	7¼	110	9⅙	Bank bills
1865	24 8	2 0 67	57⅓	4¾	90½	7½	
1866	24 8 25	2 0 69	85	7	115½	9⅜	
Monthly Aggregates		22 10 86		54		84⅙	
Monthly Averages	24 11 89	2 0 90	58⅚	5	91⅚	7⅜	

Minutes of Evidence given before the Select Committee appointed to enquire into the cause of the high price of Bullion 20th March 1810, *by the King's Assay Master of the Mint, and by Dr Kelly setting forth the relative value between gold and silver in England and Foreign Countries according to actual assays*

What information can you give the Committee respecting the relative value of gold and silver in the coins of foreign countries, as ascertained by any assays that may have been made for this purpose? I am not aware of any variation in the relative quantity and fineness of gold and silver in the coins of foreign countries, since the tables published by the late Earl of Liverpool, in his letter to the King upon coin, which tables are considered as accurate, except in the instance of the new regulations in the Paris Mint in 1803 or 1804, by which the proportion of gold to silver was established at $15\frac{1}{2}$ to one, they having before been in the proportion of $15\frac{3}{10}$ to one

Have you by actual assay ascertained that the proportions established by the regulations of the mints of foreign countries are actually preserved in the coins of such countries? They are not accurately preserved, on account of what is called the remedy or allowance for fallibility of workmanship taken in foreign mints. By an actual assay of the gold coin of France I have found that instead of being as $15\frac{1}{2}$ the proportion was $15\frac{45}{100}$ to one by the mint regulation of Amsterdam, gold is to silver as $14\frac{7}{10}$ to one, by the assay $14\frac{6}{10}$ to one In Spain, the mint regulations are in the proportion of 16 to one, I have found by actual assay the state of doubloons of 1772 is as $15\frac{89}{100}$ to one and according to doubloons of 1801 assays are as $16\frac{45}{100}$ to one

Will there not be frequently a little alteration, in taking coins that are minted at different times at the same mint under the same regulations? Yes no doubt of it but in no country is the standard preserved with such accuracy as in England

What is now the proportionate rate of gold and silver in Europe?— The proportionate rate of silver to gold in this country is 15 2000 to one

In the account of gold and silver coined at the mint since 1797, &c. ordered by the House of Commons, the 20th of February 1810, it is stated from the mint, that three or four hundred thousand pounds of gold has been coined on an average in the last nine or ten years; has any part of that coinage consisted of guineas? No it consisted of half guineas and seven shilling pieces

Did the two to three millions coined in each of the years 1797 and 1798 consist of guineas? Principally of guineas.

Can you state the fineness and weight of the Russian coins? The Russian imperial of 1772 weighs 8 pennyweights and eleven grains, being a gold coin; worse than standard a quarter of a carat grain, which equals fifteen troy grains. The half imperial 1780 weighs four pennyweights $2\frac{1}{2}$ grains, the same fineness as the last. The Russian ducat of the year 1796 weighs 2 pennyweights six grains, and is better than standard one carat $2\frac{1}{2}$ grains. The half ducat 1785 one pennyweight $11\frac{1}{2}$ grains, worse half a grain. The gold ruble of 1779 $18\frac{3}{4}$ grains, worse one quarter of a carat grain; the half ruble of 1777 weighs nine grains, and is standard of this country. The silver ruble of 1802, 13 pennyweights one grain and a half, and is worse than the standard thirteen pennyweights in the pound. The half ruble of 1801 weighs 6 pennyweights thirteen grains and a half, and is worse fourteen pennyweights.

You have no ruble of earlier years? No, I have not.

Have you made any assays upon the coins of the United States of America? Yes, I have tried several of them, the American proportions are 15 to one, and according to their actual coins 15 $\frac{1}{100}$. The eagle weighs 5 pennyweights and fifteen grains.

Dr Kelly called in, and examined.

Have you turned your attention to the subject of the currencies of the different states of Europe, and to the course of exchange between Great Britain and foreign countries? I have for many years

What, according to the mint regulations of foreign countries, is the proportion of fine gold to that of silver in their respective coins, and what would be the par of exchange of each of those countries with England, calculating upon a comparison of our coins, according to the mint regulations of this country, with the coins of those countries? The table which I now present to the Committee, I believe, will shew those proportions, as also the variation between the proportion established by the mint regulations of foreign countries, and the actual proportion as ascertained by assays recently made for me at His Majesty's mint; it will also shew what I conceive to be the intrinsic par of exchange between the countries therein enumerated and England, gold against gold and silver against silver, both as that par stands according to the mint regulations and according to the assays above mentioned.

Relative value between gold and silver in England and in foreign countries, according to their respective mint regulations and according to assays by Dr Kelly

ENGLAND The relative value between gold and silver in England is $15\frac{2859}{13850}$ or $15\frac{13}{64}$ to one making no allowance for remedy, which by the trials of the pix has never been taken.

AMSTERDAM The relative value of those metals cannot be permanently determined, because the current value of the gold is not fixed Taking the ducat at five guilders five stivers, the price which it most commonly bore the proportion is $14\frac{7}{10}$ to one according to the mint regulations and $14\frac{64}{100}$ to one, according to assays

HAMBURGH The relative value between gold and silver cannot be fixed here, for the same reasons as in Amsterdam, the price both of gold in currency and silver coin in banco being variable, but taking the mean prices as follows 6 marcs banco per gold ducat, and $27\frac{3}{4}$ marks banco per Cologne mark of fine silver, the proportion will then be as $14\frac{83}{100}$ to one.

PARIS. (Old system) 15 to one, per mint regulations allowing for the remedy which was considerable, and of which the coiners fully availed themselves

Per assays $15\frac{2}{10}$ to one.

(New system) $15\frac{65}{133}$ to one, according to mint regulations without allowance for remedy

Per assays $15\frac{43}{100}$ to one.

CADIZ, &c. Sixteen to one by mint regulations without the remedy

Per assays { $15\frac{86}{100}$ to one (by doubloons of 1772)
$15\frac{45}{100}$ to one (by doubloons of 1801)

LISBON $15\frac{7}{10}$ to one per regulations
$15\frac{20}{100}$ to one per assays

NAPLES $14\frac{5}{10}$ to one per regulations
$14\frac{75}{100}$ to one per assays

GENOA $15\frac{54}{100}$ to one per regulations
$15\frac{35}{100}$ per assays

LEGHORN $14\frac{63}{100}$ to one per regulations.

	$14\frac{32}{100}$ to one per assays
VENICE	$14\frac{88}{100}$ to one per regulations.
	$14\frac{32}{100}$ to one per assays

The reports here of the silver coins vary considerably, and have undergone several depreciations of late years.

PALERMO	Fifteen to one, per assays
AMERICA	Fifteen to one, very nearly, per regulations, without allowance for remedy
	$15\frac{94}{100}$ to one per assays

From the Hon'ble M J SHAW-STEWART, *Acting Chief Secretary to the Government of Bombay, to the Secretary to the Government of India, Financial Department, No.* 23, *dated* 14*th September* 1868

The opinion of the gentlemen named in the margin having been asked on the subject of your letter No 766, dated the 30th June last, I am directed to submit copies of their replies.

Hon'ble Colonel W F Marriott
Hon'ble Mr Munguldass Nathoobhoy
J. Stuart, Esq
J Hector, Esq
C E Chapman, Esq
George Foggo, Esq

2 It will be noticed that the proposed postponement for the present of any declaration of gold as legal tender is generally regretted Mr Hector considers that without such a declaration the introduction of gold into actual currency is impossible, he argues from the failure that followed the previous attempt to introduce sovereigns, and the accumulation of gold in the public treasuries that followed, and the same views are stated in another form by Colonel Marriott, and are expressed more or less strongly by all the gentlemen who have been consulted It will be observed that Colonel Marriott has by strict logical demonstration arrived at the same conclusion

3. Mr John Stuart, whose experience entitles his opinion to much weight, thinks that the failure of the former experiment was partly due to the very unfavorable state of the exchange at the time, but it will be observed that he also insists on the importance of the gold coinage being made a legal tender

4 The papers now submitted appear to this Government to render it unnecessary to offer any lengthy remarks or to add to the voluminous correspondence on the subject that is already on record The Governor in Council will therefore briefly state his opinion on the points raised in your letter.

5 His Excellency in Council, while he thinks that it would be desirable to introduce a gold currency into India, is yet of opinion that any attempt to circulate the gold coinage by making it a legal tender as against Government, and not generally would be either unsuccessful or financially injurious and is therefore unable to suggest any answer to the first question propounded in your letter, as no rate can be fixed on any satisfactory principle for the one-sided measure of receiving sovereigns at the public treasuries Unless such rate apply also to their re issue, it must be arbitrary and dangerous

6 His Excellency in Council would therefore recommend the introduction of an Indian gold coinage consisting of pieces of 15 10, and perhaps 5 rupees, respectively, and of the standard value fixed by Act XVII of 1835, and that this coinage be declared, like silver, a legal tender without limitation. Sovereigns should at the same time be re ceived at all Government treasuries and Currency Offices, at a rate to be fixed with reference to their market value, but unalterable except after sufficiently long notice to prevent inconvenience and loss to the public.

7 The Governor in Council does not consider that the objections made to what is termed a ' double standard are fatal to its adoption. If, by an increase in the relative value of gold, the Indian gold coinage is exported, we shall be no worse off than we are now and if the silver coinage in circulation decreases, it is no more than will inevitably happen as soon as the general introduction of gold is accomplished.

8 It will be for after consideration whether a limitation should be put on the amount up to which silver coins are to be legal tender

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From J HECTOR Esq *to the Acting Chief Secretary to the Government of Bombay, Financial Department dated* 18*th August* 1868

I have the honor to acknowledge the receipt of your letter dated 24th ultimo No 1100 of 1868, enclosing copy of despatch from the Government of India, and in compliance with your request, I beg to submit the following observations on the proposals referred to therein, relative to the introduction of a gold currency into India

The following I understand to be the chief points on which opinion is invited :—

1 Whether English sovereigns and Australian sovereigns (should, or) can be introduced into the currency of India at an equivalent of Rs 10 of the present silver coinage ?

2. If the equivalent of Rs 10 be too low, at what rate, as equivalent in rupees, should English and Australian sovereigns be taken at the public treasuries?

3 At what rate should Rs. 10 gold pieces be coined, supposing such coinage were resolved upon?

4 The description and value of the gold coins having been decided, would it be desirable to declare those coins legal tender?

5. If desirable to make gold legal tender, should it be made the *sole* tender, or ought we to have a double standard of value consisting of gold and silver?

The first question, referring to the introduction of English and Australian sovereigns at an equivalent of Rs 10, may be set aside as impracticable, inasmuch as sovereigns cannot be laid down in India at that price It is true that in 1864-65, when Government resolved to receive sovereigns in payment of dues at a par value of Rs 10, the result was a large accumulation of gold coin in the public treasuries, but the circumstances of those years were exceptional Commercial transactions were on an unprecedentedly large scale, requiring an increased circulating medium while the medium was deficient. Both in Calcutta and Bombay, but more particularly in the latter city, there was a great demand for money to pay for raw produce shipped to England Notes were of no use to send to the interior, and gold was not a legal tender Colonel Ballard tells us that in Bombay, at the close of 1865, "the full amount of sovereigns allowed by law to be held in the Currency Department was received in a few days," and "the notes issued against the sovereigns were at once changed for rupees." Sovereigns having no currency value, and not being legal tender, Government could not re-issue them, and they were not asked for The demand was for silver money, and the pressure was only relieved by the importation of large quantities of silver from Calcutta and elsewhere After the means of relief came, however, sovereigns gradually recovered their normal market value, which by previous and subsequent experience both is proved to be greater than Rs 10 It is worthy of notice that although sovereigns are still receivable at the Government treasuries at the rate of Rs. 10, and although the Paper Currency Department may lawfully hold one-fourth of its whole coin and bullion reserves in gold, that Department, as appears from the latest published return which I have seen, dated 5th June 1868, does not hold a single sovereign against the paper issues, and the gold bullion reserved only amounts to Rs 1,47,495.

As it is clear, then, that the sovereign will not circulate as the equivalent of 10 silver rupees, that sum being less than its real value, we have to consider the two succeeding proposals, which are in a manner connected, referring to "the rate at which, as equivalent in rupees, English and Australian sovereigns should be taken at the public treasuries and 'the rate at which Rs 10 Indian gold pieces should be coined, supposing such coinage were resolved upon.'

With regard to these points it is not easy to arrive at a correct conclusion The price of the sovereign, as measured in silver, must be regulated at a figure high enough to induce the importation of gold, but not so high as to disturb the present standard of value or derange prices Whatever may be the rate fixed or decided upon, it is certain we cannot prevent the relative value of the two metals from fluctuating to some extent in obedience to the ordinary laws of supply and demand but all that it seems needful to do at present is to ascertain, as nearly as possible, the price which gold has hitherto on the average commanded in the Indian markets, and to determine the rate at which it shall be received into the currency on this basis. In doing so I believe the safest plan will be to exclude English and Australian sovereigns from the calculation and to be guided by the average price of bar gold alone, the price of the sovereign being subject to fluctuations from temporary and extraneous causes which do not affect the price of gold in the form of bullion and I do not think we can do better in determining the average market value of gold, and the rate at which it can be brought in to form a part of the circulation than to adopt the decision of the Commissioners appointed to enquire into the working of the currency laws in 1866 The Commissioners, after collecting a vast mass of very valuable evidence on the subject from a variety of sources state in their report that the price of gold 'as fixed by Act XVII of 1835 seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of 10 and 5 rupees respectively' The provisions of that Act are still in force, but they appear to have been rendered inoperative by the proclamation of 1852, prohibiting the receipt of gold coins in the treasuries Lord Dalhousie's proclamation was issued at a time when there was apprehension in the minds of many that owing to the new and extensive discoveries of gold mines in Australia and California, the metal would fall in value The apprehension was perhaps not unnatural, but it has turned out to be incorrect Instead of falling, the value of gold has shewn a tendency to rise The one danger it may be said, is as great as the other, but I venture to think that by retaining for the

present the silver rupee as an alternative legal tender, we shall be independent of any slight advance which may take place in the price of gold, and I incline to the opinion that this cause, combined with the fact that we shall be able to obtain a large proportion of the gold required by India from Australia, *minus the difference* between the cost of importing the metal from Australia direct and of the cost of sending it to England, there to be turned into silver for remittance to the East, or re-transmitted to the Continent for that purpose, will have the effect of maintaining the price of gold in the Indian market in equilibrio Further, it is well ascertained that there are enormous stores of gold hoarded in India, both in the shape of coin and bullion, ready to be brought out in case of emergency, if gold possessed a currency value, and this circumstance alone will act as a powerful regulator of the value of gold in this country It is highly probable that if Lord Dalhousie in 1852, instead of prohibiting the admission of gold into the Indian treasuries, had adopted the policy pursued by France and the United States under similar circumstances, and by declaring gold a legal tender had thereby opened a way for Government to dispose of the stock of gold which it was feared would accumulate in the treasuries, India would now have been enjoying the benefits of a gold currency On the whole, therefore, I would be in favor of coining Indian gold pieces of 10 and 5 rupees respectively, containing $\frac{11}{12}$ or 110 grains of pure gold and $\frac{1}{12}$ or 10 grains alloy, giving them a currency value at these rates With regard to English and Australian sovereigns, I would give them a permissive value to circulate at the rate which they might bear in relation to the Indian coin

This brings us to the next two points of enquiry, namely, "the description and value of the gold coins having been decided, would it be desirable to declare these coins legal tender," and "if desirable to make gold legal tender, should it be made the sole tender, or ought we to have a double standard of value consisting of gold and silver?"

Without hesitation, I would reply that if gold is to be introduced into the currency of India, it is not only desirable but *necessary* to make it legal tender We have seen the effects of making English and Australian sovereigns receivable at the treasuries at the rate of Rs 10 without at the same time declaring them legal tender, and re-issuable as such Under a recurrence of the same circumstances which caused an accumulation of gold on the hands of Government in 1865, the same result, it is to be feared, would

follow, but in an aggravated form owing to the less intrinsic value of the coin under Act XVII, were gold pieces of the value prescribed by that Act to be received into the treasury, Government depriving itself of the power to re-issue them We have also seen that the public do not avail themselves of the provisions of the Act, which, be it remembered, are still in force, simply in consequence of the refusal of Government to receive gold into the treasuries. The attitude of Government in this respect may be considered as tantamount in effect to the exclusion of gold from the currency The great body of the community, and more particularly the native portion, are so accustomed to look to Government to do everything for them that they are not likely to adopt any new measure or system unless Government lead the way To ensure success in the endeavour to introduce gold into the currency of the country, it is necessary, therefore that the new gold coins should be readily received both at the public treasuries in payment of dues and at the Currency Department in exchange for notes but I repeat that this step cannot be safely undertaken without at the same time providing for their subsequent disposal by declaring the coins legal tender For the protection of Government no less than for the sake of establishing regularity in the circulation of gold it is desirable even necessary, that it should be invested with a fixed currency value I would not be favorable to extending the legal tender value to English and Australian sovereigns, but these as I have said, might be permitted to circulate at the rate which they might bear in relation to the Indian coin and they might in addition be receivable at the mint at a stated price for conversion into Indian money

It has been proposed to make gold the sole tender at once in place of silver but this in my opinion, would be going a step too far The present silver currency in India is I believe, estimated to be about Rs. 2 50 00 00 000 and to provide gold in substitution even of a moderate proportion of this enormous amount at one stride would it will readily be seen, so raise the price of gold not only in India, but in other markets as to make it unprofitable for remitters to import gold for coinage, and so the object to be attained would be defeated at its very commencement. I do not argue that the price might not ultimately fall to or near its original level but this would not happen for a long series of years the rise would last long enough to render abortive the attempt to give gold a place in our Indian circulation, and besides to declare gold the sole legal tender with so large an amount of silver coin already

in circulation, would not only be unnecessary, but positively unjust, and the results could not fail to prove equally disastrous to Government and the public A gold coinage must be introduced into India by slow degrees, and, for the present at least, it will be necessary to retain the silver rupee as an alternative standard of value, giving the option to the debtor of discharging his liabilities in either coin By this means gold will gradually recommend itself to favor, and ultimately become established as the sole standard of value to the exclusion of the bulkier and, proportionately to its intrinsic value, more expensive medium of silver Many objections have been raised to having a double standard, but the difficulties with which some suppose it to be beset are, I venture to submit, more fanciful than real It is unavoidable in the present case

Another proposal has lately come before the public, and perhaps is deserving of a passing attention if only to show the fallacy of the principle on which it is based The proposal to which I refer is to introduce the English system in its integrity, giving the English sovereign of 123,274 grains a legal tender value at Rs 10, and coining Indian sovereigns of the same weight and fineness to circulate at the same rate Gold would be made the sole tender, and the silver rupee would be reduced to a mere token coin. For the accomplishment of these objects it is proposed to make the importation of gold compulsory by imposing an additional seignorage of 2 per cent on silver The proposal is open to objection on the following grounds :—

It involves an interference with the present standard of value *in its relation to other commodities*, a very dangerous proceeding

It would introduce rupees of a lower intrinsic value to circulate with the existing silver currency, which bears a higher intrinsic value

It would throw the burden of the circulation on gold, which step, as we have seen, would have the effect of raising the price of gold both in India and other markets, to such an extent as to make it unprofitable to import gold for coinage, and not only would it do this, but

It would endeavour to compel the English sovereign and an Indian sovereign of equal value and weight to circulate at the equivalent of Rs 10 of the *new silver coinage*, although it has been proved that the sovereign cannot be purchased for Rs. 10 of our *present* silver currency, which is of greater intrinsic value than coin that will have paid the increased seignorage

The effect would plainly be to make the exclusion of gold from the circulation more complete than by any other possible means that *could* be contrived, and to throw the whole monetary system of the country into a state of hopeless confusion

A few years ago the introduction of gold, either in substitution of, or in addition to, the existing silver currency, was loudly demanded, on the ground that the price of silver had risen all over the world, and was still rising in consequence of the heavy drain of silver to the East. The annual produce of silver throughout the world was computed at £10 000 000 only while the average annual imports of the metal into India alone during the six years ended 1864 were £11,500,000, and in 1863 no less than £14,500,000

At this rate, and if no increased production of silver had taken place, the demand for the requirements of India alone would have exhausted to a great extent the stock available in other countries raising the price indefinitely and so entailing a loss of unknown magnitude on the importer besides causing great injury to the trade and industry of the country At the same time the public debt and all standing contracts would have been increased exactly in proportion to the rise in the price of silver No stronger argument could, I imagine, be adduced to show the folly of overlooking the fact that a contract entered into for the discharge of debt is not a contract for payment of a particular quantity of a particular commodity (say gold or silver) *regardless of the cost of obtaining that commodity at the time of payment*, but a contract for value regulated by the prices of *all* commodities which in turn are regulated by the cost of production and the demand existing for the commodities. Fortunately the price of silver has not increased to the extent that was anticipated and the evils referred to have been averted. The importation of silver was again great in 1865 66 but during the last two years, owing to a falling off in the export trade, the imports have been considerably diminished, and the discovery of new silver mines in the Sierra Navada has further tended to prevent the price of silver from rising beyond its ordinary level. But this is no reason for our adhering to the old and wasteful system of a silver currency and excluding the cheaper medium of gold. The introduction of gold to a place in the currency is demanded on the grounds of convenience and economy no less with reference to our commercial dealings with other nations than in the interests of the internal trade of the country

There is one other consideration to which I would take the liberty of adverting, namely, the assistance which the addition of gold would afford to facilitate and extend the circulation of the currency note. The Government notes at present outstanding are principally held in the reserves of bankers in the Government treasuries and by native capitalists within the Presidency towns, the advantages of a paper circulation are not yet fully appreciated by the body of the people, a circumstance no doubt accounted for in a great measure by the unwillingness of the natives to accept as a representative of value that which has no intrinsic value of its own, but owing also, in no small degree, to the note not being more generally convertible than it is. Government have not the same facilities for distributing their currency reserves where and when required as a bank would have, and in event of an extraordinary demand for coin in exchange for notes occurring at any of the head centres of issue in the interior beyond the reserve held in coin, necessitating the sale of securities, there being no market for these securities in the interior, Government would have to effect a sale at one of the three Presidency towns and transmit coin thence to strengthen their reserve at the point where it was required. It is therefore an object with Government to be able to move specie from one place to another at the least possible cost and least possible risk, and in this view gold possesses many advantages over silver.

The same argument applies with nearly equal force to the treasury balances

In the event of its being determined to amalgamate some of the existing circles of issue and make the note of each circle convertible over a wider extent of territory, the superior advantages of gold would be still more perceptible, and I further venture to remark that until some measure of the kind is introduced, the note circulation will never reach the dimensions which otherwise it might be expected to assume

I must ask the favor of your understanding that what I have here expressed on the subject of a gold currency are my individual opinions, and must not be taken as proceeding from the bank which I am privileged to represent in this Presidency

I regret that illness has prevented me from replying to your letter sooner.

From COLONEL W F MARRIOTT, *to the Acting Chief Secretary to the Government of Bombay, dated 27th August* 1868

I have the honor to acknowledge the receipt of your letter No 1100 of 24th July last, inviting my opinion on the questions stated in the letter from the Government of India, No 706 of 30th June last in relation to the introduction of a gold currency into India. Those questions are principally—

1st—At what rate, as equivalent in rupees, should English and Australian sovereigns be taken at the public treasuries,

2nd—At what standard value should 10-rupee gold pieces be coined? It is added that the Government of India is hardly prepared to recommend the declaration of any gold coins as a legal tender, but does not exclude discussion of that measure.

2 Before replying to the specific questions, I will briefly review the general question as it appears to me.

3 First, it is well to define the general purpose. The purpose indicated is the encouragement and facilitation of the circulation of sovereigns and other gold pieces But is this the principal purpose? What are the advantages looked for from coining gold? Is it principally the convenience of carrying and using a gold piece in place of fifteen times the weight and more than fifteen times the bulk in silver? or is it the enabling the holders of gold to use it readily for exchange purposes, the enabling the Government to issue notes against gold the enabling the holders of gold in a time of pressure to make all their gold readily available as a means of payment and the convenience of eventually having the same standard as most other great trading nations have or tend to? The answer to this is fundamental because only for the first of the above stated purposes can the introduction of gold pieces, which are not a legal tender be efficacious whilst for all the other purposes, it seems to me that the introduction of gold coins of which the acceptance is optional, must be inefficacious because excepting for small transactions, the gold coins would be as uncertain in exchange value as gold bullion In a time of great deficiency of money the power of creditors to refuse gold would depreciate the gold coins as much as it would gold bullion.

Moreover even for the first purpose the scheme might be wholly inefficacious, as being likely to fail altogether to introduce the gold into circulation because if it were worth more than its nominal value, it

would not be paid; if less, it would not be received; and only if the relative value of gold and silver should remain nearly constant would it come into use for mere convenience.*

4. To state the inference from the foregoing remarks briefly, the right to use gold as money is of much more importance than the actual current use of it.

5. There is another part of the purpose which requires definition. Is it the substitution of gold for silver or the use of both which we immediately desire? (I say immediately, because gold being intrinsically a more convenient metal for use as coin, its ultimate substitution is desirable) It may aid illustration if the matter be stated in an ideal manner If the relative value of gold and silver were unchangeable, what should we propose? Would it be to coin both unrestrictedly? or would it be to cease the coinage of silver and substitute gold? An answer to this goes a long way to answer the whole practical question

6. Some might urge that now to coin both unrestrictedly would be inequitable in operation, because it would depreciate money by multiplying the things which serve as money, and that the second course is the only admissible one, because (on the hypothesis of an unchangeable relation of gold and silver) the value of money is not altered This argument is plausible but it is one which is equally good against the issue of bank notes beyond the bullion locked up to meet them, and against any legislative action which facilitates operations by credit. On the whole society gains by the increased facilities of exchange which additional quantities of things perfectly performing the function of money give, whilst the effect upon prices, *i e*, on the value of money, is so gradual as to be no countervailing objection. Moreover, with an expanding trade, an increased quantity of money or of things which serve as money is necessary to keep the value of money comparatively equable

7 Of course, even on the hypothesis of an unchangeable relation of value of gold and silver, gold would be the more convenient coin, and there would be a tendency to exchange silver for it, which tendency might at last reduce the current silver coinage to the quantity needed

* It may be noted, however, that a rise in the value of gold would not drive the gold pieces wholly out of calculation if a general consent to take them at their real value instead of their nominal value should arise For instance, the depreciated paper money in Austria did not wholly throw the silver florin out of circulation, because this was everywhere accepted without dispute as worth more than a nominal florin

for payment of fractions of the gold unit. At this point the Government might interfere, and save much trouble, by substituting a corresponding quantity of a silver token coinage. But such restriction of silver coinage is a need not arising out of any inconvenience in having two metals, but out of the fact of one being a more convenient one than the other (The importance of this distinction will be seen presently)

The day when silver coin can be dispensed with in India, excepting for payment of fractions of the gold piece, must, probably, be far distant, because, apparently, it is only by a very general use of bank notes, cheques, and bills as money that the quantity of metallic coin needed for current use can be so restricted as to allow of it being all provided in gold.

8 I conceive that in the ideal case of an absolutely unchangeable relation of gold and silver, the proper function of Government would be to make both available as money, leaving the substitution of one for the other to be effected, if at all, by what may be called the natural operation of convenience. I do not think that the actual case of variableness of relative value of gold and silver affects the proper general purpose.

9 Hence to my previous conclusion that the ability to use the gold is of more importance than the actual current use of it, I add this other, that the immediate purpose should be the free use of both gold and silver as money

10 To the foregoing inference I anticipate two objections:—

1st—That variation of relative value will prevent the free use of both metals

2nd—That the plan incurs the evils of a double standard.*

11 In statement of the first objection it will be said that the two metals would be coined at first at as nearly their exact relative value as possible. Only so long as this endures would both be current, after a time the gold either rises or falls in value. If it rise if, for instance, a

* I use the term Double Standard, as I believe it to be ordinarily used, to mean two metals accepted for coinage on equal terms and, therefore, each free, so to speak, to become the standard. I state this because Colonel Ballard in a recent and valuable tract on this subject has used the term differently and has, as it seems to me, thereby obscured his intention. He defines it to mean that gold and silver coins are both a legal tender of payment to any amount. Consequently he still calls it a Double Standard in the supposed case of a silver coinage restricted in quantity and raised by seignorage to a value considerably in excess of its intrinsic value.

given weight coined at fifteen half times the value of the same weight in silver becomes worth sixteen times the weight in silver, no one will readily pay gold. The tendency will be to buy silver with it, and to take that silver to the mint for coinage. Conversely, if the gold should fall in value, no one would readily pay silver, but would rather buy gold for coinage. I reply that in the first case of unreadiness to pay gold, at worst, no one has either lost or gained, and things remain nearly as they were. In the second case of unreadiness to pay silver, there is a perpetual tendency to change the money from silver to gold without appreciable loss to any one and with convenience to all.

I say that, at the worst, in the first case, no one has either lost or gained. In reality, in both cases, society has gained some of the greatest advantages. The ability to use the gold is the great matter. That remains potent in enlarging the mercantile resources, though it may be in little current use, and its effects be only exhibited indirectly.

12 The other supposed objection is, that we should incur the evils of a double standard. It seems to me that these are very small, mostly consisting in the negative evil of not having all the coinage in the most convenient metal In Colonel Ballard's tract I see the evil declared excessive, and described as follows That the proportion of gold and silver entering for coinage does not depend on public convenience, but on the operation of the dealers in bullion, who are obliged, out of self-interest, to import the metal which affords the greatest profit at the mint; and that the whole coinage may be changed from silver to gold and from gold to silver with every fluctuation of the value of those metals.

But, what is the evil of this? The first statement, reduced to its simplest terms, is only that the proportion of gold and silver does not depend upon convenience as coin, but on the greater relative value of one or the other when coined I see no evil in this, except the liability to have less gold than mere convenience would require, an evil at least less than having no gold at all The other statement of the liability to change the whole coinage from gold to silver and silver to gold with every fluctuation is only a rather exaggerated way of stating the results of the previous operation The fluctuation in the quantities of gold and silver is a less evil than having only the use of silver Hence the significance of the distinction previously noted, that the eventually desirable restriction of silver coinage is not a need arising out of any inconvenience in having two metals, but out of the fact that one is more

convenient than the other In other words, a double standard is not an important inconvenience It is better than a single coinage of silver; and so far from being an objection to any particular scheme for introducing gold, it appears to be the only effective means for introducing it without an arbitrary alteration of the existing standard

13 I will now state all the courses that occur to me as open to discussion —

1*st* —To coin gold pieces at their exact relative value to silver as nearly as determinable, making them a legal tender

2*nd* —As above, only not making the gold a legal tender, the Government also accepting sovereigns at their corresponding value

3*rd* —The acceptance of sovereigns and the coinage of gold pieces at something less than their true relative value to silver, in order to give the gold pieces an advantage, but without making them a legal tender

4*th* —To declare a sovereign 10 rupees and to coin gold 10 rupee pieces of exactly the same value, and to raise the value of the silver rupee to the tenth part of the sovereign by a heavy seignorage, making both gold and silver legal tenders

5*th* —The same as the foregoing, with the addition of a restriction on the quantity of the silver coinage

6*th* —To declare a sovereign to be 10 rupees, and to raise the value of the silver rupee to the tenth of a sovereign by actually coining it of greater weight the State undertaking to give either gold or the new silver rupees for the old rupees.

14 The last stated scheme has advantages which make it worth while to state it though I regard the incidental difficulties and inconveniences as completely fatal to it. The enormous quantity of the old rupees the consequent difficulty of calling them in, the extent to which the existing rupees is used as a measure of weight the confusion of men s minds about the particular operation in regard to prices and to debts these objections are too great; besides that, after all the large and costly transaction might be rendered useless by a rise in the price of gold

15 The 5th course above stated is essentially that which is recommended by Colonel Ballard only he disguises its real character It is as revolutionary as the 6th course above noticed. It would require at once

all the advantages of a single gold standard and a gold currency, for which it pays the price of altering the value of the rupee and restricting the use of silver as money

The alteration of the value of the rupee would be paid generally by debtors in favor of creditors; and if this were all, considering how small the tax would be, how much it would be modified in operation by most men being (in the general sense here indicated) creditors as well as debtors, how soon prices would adjust themselves, and how soon the whole perceptible effect would dwindle away,—it might well be paid as no more unequal than any other tax But the character of the transaction in arbitrarily altering the value of the standard coin is a very serious objection, not to be set aside wholly by the fact that the alteration is a little one The artificial restriction of the use of silver as money is a still more questionable part of the price paid for the convenience of gold. It is a part absolutely necessary to make success in the introduction of gold quite certain, by preventing the exclusion of gold which would attend a rise in its value. But such a measure seems essentially improper, because it seems to me that the interest of the whole community at present requires the ability to use both all its gold and all its silver as money

16 The 4th plan, whilst avoiding the restriction of the use of silver, is open to the objection that it is an arbitrary alteration of the value of the rupee

17. The 2nd and 3rd courses are the only admissible alternatives implied in the Government's questions, which I here re-state:—

1st—At what rate as equivalent in rupees should sovereigns be taken at the public treasuries?

2nd—At what standard value should 10-rupee gold pieces (which are not to be a legal tender) be coined?

18 It is, of course, certain that if Government offer to accept sovereigns at a low standard value, they will not get them, and if at a high value, they will not get rid of them, and if gold pieces be coined at a low standard value, people will not take them, and if at a high value, people will not readily part with them as money Consequently, the expectation implied in the question is, that there is an intermediate value at which both the payer and receiver will be glad to use gold, notwithstanding the right to demand silver The consideration which can make both willing must be convenience, not profit, because profit can only be to one.

It would seem, therefore, that the intermediate rate must be the exact relative value of gold to silver And so it would necessarily be if that relative value were constant. But the likelihood of a change in that value raises the question of whether there be any point below the true relative value which will not cause a loss to outweigh the convenience, and which, therefore, will favor the use of gold as the cheaper coin without inducing on the part of the receiver an exercise of his right to demand silver This question seems to be implied in the Government's question My answer is, that I know of no measure of the convenience which would allow conclusive comparison of the value of the convenience and of the gain or loss on the gold. My belief is, that the convenience of gold as money would be very small when it is not a legal tender In fact, for large transactions, I do not know what the convenience is, beyond the certainty given to the quantity and quality of so much bullion.

19 If the question were only, at what standard value to coin gold pieces without making them a legal tender?—the answer would be a very simple one Any standard value will answer the principal purpose of certifying the quantity and quality of so much bullion, and by using the standard most nearly corresponding to the relative value of 10 rupees, you add the further convenience of most readily indicating the average value of so much bullion in rupees

20 But the Government's question is virtually, at what standard value shall we accept sovereigns and coin gold pieces which are to be a legal tender to Government and to no one else?

I do not see that this requires a different answer The Government, in making itself liable to accept gold when no one else is liable must intend an advantage to each individual of the community against the collective community represented by the Government. It cannot hedge against what may be called the disadvantage to the State without neutralising the advantage to the individual

21 The question put by the Government in full has a third element in it, and, stated completely, is at what standard value shall we coin gold which shall be a legal tender to Government and to no one else; and by what means can we force that value into so manageable a relation to the sovereign that the sovereign shall pass current?

I think the latter part of this question ought not to be allowed to modify the first.

It would be very convenient if a sovereign were the equivalent of 10 rupees, but it is not If once we arbitrarily abandon the existing silver rupee as the standard of the operation, we cannot reasonably stop short of some radical change which will make the gold piece the standard.

22 If the Government expects advantage—which I do not perceive—from accepting sovereigns at a rate at which no one else can be compelled to receive them, they should accept them at the rate corresponding to the value of the gold 10-rupee piece Of course, it is not in relation to the 10-rupee gold piece that any variation is really contemplated. The wish to alter the silver rupee underlies the whole question. I have noted above the arbitrary character of such a transaction, which appears to me the strongest objection to it

23 I hope I have sufficiently indicated my opinion and the grounds of it, the opinion being that the possible convenience attending the attempt to introduce a gold currency without making it a legal tender is not worth the trouble, and that unless some arbitrary measure, at once and for all changing the standard from silver to gold, be adopted, the only advisable course is the first of those stated in para 13 above, *viz.*, at once to introduce what is called the 'double standard,' by coining gold pieces at the present relative value of gold and silver, that it is very possible that, so, gold might not get into free circulation, owing to a tendency to a rise in its value, but that this would be of much less importance than is commonly supposed, because the principal advantage would be gained by the mere right to use gold as money

I hope, too, that I have also clearly indicated, though I have not hitherto specifically expressed, that if, whilst incurring what is called a double standard, we strictly maintain the existing silver rupee as the real single standard, there is nothing to prevent a re-adjustment of the gold coinage to that standard, if, after a time, a rise in the value of gold should inconveniently exclude it from circulation

Thus, perhaps, some day, convenience and relative value would co-operate, and so supersede silver, that the existing silver standard would be extinguished by the ordinary course of commerce

But I repeat that this exclusion of silver is no present need, and that, on the one hand, the avoidance of a double standard by refusing to make the gold a legal tender is futile, whilst, on the other hand, the avoidance thereof by altering the value of the existing silver rupee is too arbitrary a measure to be entertained.

24 In order to write clearly, I may seem to write positively; but I have not studied this subject so widely as to make me over-confident in my own conclusions. I should scarcely have presumed to give my opinion to Government unasked, but being asked, I feel that I have given enough attention to these matters to make it right that I should comply,—knowing that, if the grounds of my opinion be stated clearly, they may though wholly rejected, help as stepping stones to a sound conclusion

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From J STUART, Esq, *to the Acting Chief Secretary to the Government of Bombay, dated 3rd August* 1868

I have the honor to acknowledge receipt of your letter No 1100 of the 24th ultimo, forwarding copy of a letter from the Government of India, No 766, dated 30th June last, relative to the introduction of a gold currency into India, and requesting my opinion on the points therein mooted.

2 This subject would appear to have been fully considered by the Commission appointed in 1866 and I do not think it necessary to go over the arguments in favor of a change that seems to be so unanimously desired by all classes of the public. I will, therefore, only state that my opinion is in accordance with that of all persons consulted upon that occasion and in favor of a gold currency

3 From my intimate knowledge acquired during several years' experience on the Australian gold fields, I can safely affirm that the rate of exchange between India and England has much more influence in regulating the shipments of sovereigns from Australia to India than the price of gold in the Indian markets. The sovereign usually sells for about Rs. 10 2 in India, and with exchange on London at 2*s* per rupee, or under, no sovereigns will be sent from Australia but if the exchange rose to 2*s* 1*d* which would leave a fair margin of profit, I have no doubt but that large shipments would be made.

4 Sovereigns are exported by the Australian Banks to India principally as a mode of remittance to London therefore the rate of exchange is a much more important element in influencing shipments than the actual price of gold.

5 With regard to the notification issued by the Government of India in November 1864 offering to receive at the treasuries British and Australian sovereigns at the rate of Rs. 10 each I think the non *success* of this attempt to facilitate the use of gold in place of silver should be

ascribed to the very exceptional state of commercial affairs in Bombay, and which, to a certain extent, must have affected other parts of India, and also to the unfavorable rate of exchange on England prevailing for the following years, rather than to the value fixed for the receipt of sovereigns. Had the rate of exchange been about 2*s*. 1*d*. per rupee, and sovereigns made a legal tender at Rs. 10 each, the result would have been very different. Under the circumstances stated, I think, the experiment has scarcely had a fair trial.

6. It is the uncertainty as to the value of sovereigns in India, and, in seasons of great commercial difficulty, the impossibility almost of converting them into money, that prevent their being much more extensively used as a means of remittance from other countries, but once give them a certain fixed money value as currency by making them a legal tender, the advantages of a gold currency would soon become apparent, and after a short time silver coins would only be used as subsidiary to the more precious metal.

7. I am of opinion that all that is necessary with the view of introducing gold coin is for the Legislature to declare the British and Australian sovereign and half-sovereign a legal tender at Rs. 10 and Rs. 5 respectively. It may be urged that while the sovereign can command a higher rate than Rs. 10 in the market few will be presented at the treasuries, but it appears to me that the present high rate is, in a great measure, owing to the fact that there are few sovereigns in the country. I have already stated that the rate of exchange between India and England must regulate, in a great measure, the exports of sovereigns from England and Australia.

8. It would, undoubtedly, greatly facilitate the introduction of sovereigns to declare them a legal tender at the rate of Rs. 10¼ each, for it would immediately bring into circulation any that are in the country, but I think it extremely probable that in the course of a few years it would be necessary to adjust the valuation, unless the quantity of gold required for coinage in India had such an effect that the present price could not be maintained—and I am not prepared to say that it would.

9. I am in favor of the mint issuing gold coins of the respective value of Rs. 10 and Rs. 5 each. Goldmohurs might also be coined at the value of Rs. 15 each, but for all ordinary purposes the sovereign and half-sovereign would be found more useful.

10 It would be necessary, of course, to remove all restrictions to the receipt of gold coin or bullion by the Currency Department.

From MUNGULDASS NATHOOBHOY, Esq , *to the Acting Chief Secretary to Government, Bombay, No* 235, *dated* 17*th August* 1868

I have the honor to acknowledge the receipt of your letter of the 24th ultimo, forwarding copy of a letter from the Government of India, dated 30th June last, regarding the introduction of a gold currency in India, and inviting my opinion on the points mooted in that communication.

In reply, I beg to inform the Right Hon'ble the Governor in Council that, in my humble opinion, the introduction of a gold currency into India is highly desirable but that difficulties are likely to arise from considerable fluctuations taking place from time to time in the price of gold, according to the exigencies of the market. This would be the unavoidable concomitant of a double currency The average intrinsic market value of British and Australian sovereigns being higher than Rs 10 the price fixed by the Supreme Government in the notification promulgated by the Viceroy in November 1864 has failed to attract sovereigns in quantities sufficient for extensive circulation in all parts of the country I would therefore, suggest to Government the advisability of embracing a favorable opportunity to coin and introduce a gold currency adapted to this country, as recommended by Lord Halifax. I would recommend the coinage of goldmohurs of the value of Rs. 15, weighing, with alloy, 180 grains and smaller pieces of the value of Rs. 10 and Rs. 5, weighing 120 and 60 grains respectively at such standard value as would admit of English and Australian sovereigns being taken at Rs. 10½ each Native merchants, bankers and other classes of the people who are not backward in appreciating the advantages and superior convenience of gold coins will I believe, make considerable use of this valuable currency, and facilitate its extensive circulation, if Government adopt proper measures for issuing such coins as I have just described, and for receiving them into the public treasuries throughout the country

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From GEORGE FOGGO, Esq , *to the Acting Under Secretary to Government, Bombay dated* 28*th August* 1868

I have the honor to acknowledge your letters Nos 1100 and 1246 of 1868 in the Financial Department, relative to the introduction of a gold

currency into India, and to submit, for the consideration of Government, the accompanying remarks:—

1. I know of no means by which the desire of Government to encourage and facilitate the circulation of British and Australian sovereigns in British India can be attained.

2 No rate, as an equivalent in rupees, for taking sovereigns at the public treasuries, to be of any effect and to avoid risk of loss to Government, can be fixed on.

3. The market price of sovereigns is, suppose, Rs 10-8. If Government fix any rate below that as the rate at which sovereigns may be taken at the public treasuries, no experience is necessary to prove that none will be tendered to the public treasuries If, on the other hand, the market price of sovereigns were, suppose, Rs 10-8, and the Government rate above that, sovereigns would find their way to the public treasuries in large quantities, and Government, probably, be considerable losers, not having the power of paying them out at the same rate

4 The present price of British sovereigns in the Bombay market is Rs 10-9½, of Australian sovereigns Rs 10-11.

5 The same objections apply to the scheme of coining 10-rupee gold pieces—not a legal tender—and there can be no security that the same inconveniences that formerly resulted in the prohibition of the receipt of the goldmohur at the public treasuries will not again occur

6 The question of legal tender involves that of a double standard, for it does not appear to be contemplated to introduce the sovereign, or other gold coin, as a legal tender for a limited period, or to a limited amount only, the objections to either of such schemes being, probably, deemed conclusive

7 I should deprecate the adoption in India of a double standard.

8 In the operation of a double standard, the one coin which was becoming of less intrinsic value would gradually displace the coin which was undergoing appreciation Should gold become dearer in proportion to silver, gold would be bought up and exported, and silver remain, as now, the only actual circulation. Should silver become dearer in proportion to gold, it might be exported to such an extent as to cause serious inconvenience and embarrassment for the want of small coins, the place of which could not be supplied with gold, especially in a country like India, where monetary transactions are so numerous, and singly so minute in amount

From C E CHAPMAN, Esq , *Officiating Accountant General, to the Acting Chief Secretary to Government, Bombay, No G, dated* 20*th August* 1868

In accordance with the request contained in your No 1100 of the 24th ultimo, I have the honor to submit memoranda by myself and Mr Gay, Officiating Deputy Accountant General, on the point mooted in Government of India's letter No 766, dated 30th June last, relative to the introduction of a gold currency into India

2 Although your letter was addressed to me personally, I feel sure that His Excellency the Governor in Council will not object to my including Mr Gay's memorandum in my reply, as he has given much thought and attention to these subjects

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Memorandum by C E CHAPMAN, Esq , *Officiating Accountant General, on the proposals for introducing Gold Currency in Government letter No* 766 *of* 30*th June* 1868 *dated* 20*th August* 1868

Prior to remarking upon the two main questions discussed in this letter, I observe that the broader and more difficult question of "legal tender" is eliminated, or, rather, that the Government of India invite attention to that aspect of the question as altogether apart from the experimental and tentative measures advocated in paragraphs 7 to 12

2 It is well, perhaps to bear in mind the wide difference that exists between a measure that would make the standard of value legally binding and one that leaves the use of one or other standard of value to the choice or inclination of the two parties to a transaction

3 By proclaiming its readiness to receive gold in payment of dues Government waives its right to this choice and accepts all the disadvantages, possible or contingent, of a *legal tender* without the right to reciprocate in other words Government may find itself embarrassed by an accumulation of coins which it cannot get rid of without incurring heavy loss.

4 It is proposed, however, to meet this difficulty (and especially with a view to getting the sovereign into circulation) by regulating the rate offered by proclamation with a nicety that may ensure *first* that the public will readily pay them into the treasuries *secondly* that, on the other hand, Government may find no difficulty in disposing of them when meeting claims on its treasury

5 I remark, in the first place, that it would be necessary for Government to declare in any such proclamation the fixed period during which it would have force, otherwise, it would be inoperative, for no one would care to import sovereigns if he thought that the proffered rate might be arbitrarily or capriciously lowered.

6 I doubt much whether the "superior convenience of gold as a measure of value" is much felt by the public at large To those accustomed to the sight and use of that beautiful coin the sovereign, the 10 rupees he must carry in its place will seem cumbrous and clumsy, but the public in India is not the score or two of British merchants at the presidency towns, but the people who have dealings with the numerous Government treasuries scattered over the country, and it is at least open to question whether the more bulky coin is not quite as acceptable to them as the more portable one, at all events, the paper currency has done away with much of the objection to a silver coinage on this score, and when the paper currency becomes really a "popular institution," we may hope to see the inconvenience of the more bulky coinage reduced to a minimum.

7 The practical question of the rate to be fixed "*as precisely as may be reasonably possible*" is by no means easy to solve, because we are very deficient in information The market price of a sovereign in Bombay for several months past has not been under Rs 10-8, and on Monday last was as high as Rs 10-12, but this may be called a "fancy" price, as the sovereigns are scarce, and the only "enquirers" for them are people going to Europe, who find them a convenient medium of exchange when travelling in different parts of Europe, where the sovereign will always fetch its full value

8 I am not disposed to think that a proffered rate of Rs 10-4 would, at the present time, attract any large amount of sovereigns to the Government treasuries, and, as a tentative measure, for three months would fix Rs 10-6, or even Rs 10-8 it would be worth while even to run some risk of loss in order to attract sovereigns to the country.

9 As regards the question of a new coin, and the standard value as fixed by Act XVII of 1835, I have to observe that, from enquiries I have made, I can confirm the statement that gold has, of late, shown a marked tendency to rise in price One of the leading Exchange Banks of this city has favored me with quotations of the price of gold since April 1867, from which I gather that it has risen about 8 annas per tola up to date during the past twelve months This would, of

course, upset the equilibrium noted in para. 11 of the Government of India's letter The Calcutta quotations show a similar gradual advance in price.

10 As regards the broader question of legal tender of gold concurrently with that of silver, I have only to remark, in Mr Wilson's words (para. 15 of his Gold Currency Minute), that a *coin* deprived of the quality of *defined and fixed* value is reduced to the mere condition of a commodity which is to be bought and sold at rates varying with the fluctuations of the market, and so ceases to be a coin

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Memorandum by E GAY Esq, *Offg Deputy Accountant General, on Gold Currency, dated 8th August* 1868

The question of a gold currency for India is necessarily, one of great difficulty, because it is complicated by considerations of exchanges and the state present and future, of the bullion markets throughout the world—subjects on which very little information is obtainable in India.

2 From the evidence which I can procure (it is very conflicting and imperfect) it seems clear that the Government goldmohur of 1835 is at the present time intrinsically worth at least its nominal value of Rs. 15 assuming this the value of the sovereign is not less than Rs 10-4.

3 If a piece of about the value of Rs. 10 is required, the sovereign seems in many ways preferable to a fresh coinage of a ⅔rd goldmohur The 15 rupee coin was, I believe, never very popular with the Natives and the sovereign seems to be well known to the trading community in all parts of India. It is recognised all over the civilised world, and both English and Australian mintages are now equally current.

4 Especially in a tentative measure there will be great advantage in the sovereign, as in case of a miscalculation and consequent necessity to alter the par there would be far less disturbance in changing the rate of the sovereign than in decreeing that the 10 rupee piece should in future be valued at (say) Rs. 9-14 the convenience of the round sum of Rs. 10 would then be lost, and this seems the sole advantage such a coin has over the sovereign for if the value were stated in the vernacular (which is not done with rupees) such an inscription would only mislead if that value were altered.

5 It seems not at all improbable, especially if gold be largely brought into currency in India, that such a revision of value may become

necessary Silver appears to be growing relatively cheaper, and, I think scarcely sufficient allowance is generally made for the further fall that may be expected in its value if the demand in this country diminishes This seems a far more serious disturbance of our present calculations than any that we need expect in the price of gold From this as well as from other causes a slight error in the relative valuation of the two metals may be easily made

6 If the value of the sovereign is as stated above, it would be most convenient to commence by receiving it at Rs 10-1 This might be raised if necessary but Government should be pledged not to lower it without certain notice, as otherwise importers would hardly venture to bring in gold Even at this rate it is doubtful whether many sovereigns would, for some time at least, be received, as they now bear a higher value in the market

7 This market price, however, seems very unsafe as a sole test of real value So few are at times, indeed at the present time, available that they are often sold at a fancy price I do not know whether such cases are carefully excluded from the published averages

8 It is important to consider the effect which such a measure may have on any scheme for increasing the issue of a paper currency If gold were in the smallest degree over-valued, it would, probably, add very greatly to the difficulty of cashing notes, as the Government balances would be locked up in the way that was anticipated in 1852

From the HON'BLE M J SHAW-STEWART, *Acting Chief Secy to the Govt of Bombay, to the Secy to the Govt of India, Financial Department, No* 1160, *dated 28th September* 1868

In continuation of my letter No 23P, dated the 11th instant, I am directed to forward to you, for submission to the Government of India, the accompanying copies of letters from Mr E Morris, Agent of the Agra Bank, and the Secretary to the Bombay Chamber of Commerce, dated respectively the 10th and 14th instant, relative to the introduction of a gold currency into India

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From E MORRIS, Esq , *Agent, Agra Bank, to the Acting Chief Secy to the Govt of Bombay, dated* 10*th September* 1868

I have the honor to reply to the copy of letter from the Government of India, No 766, dated 30th June last, forwarded to me in your

communication of the 24th July, No 1100, relative to the introduction of a gold currency into India

1 The proposition to raise the tender for sovereigns above Rs 10 with the view of attracting gold to the treasury would, it is to be feared, only end in disappointment to Government

2 A guide of prices from averages must be accepted with caution and a rate fixed from such calculations say at Rs 10-4 (equivalent to laying down the rupee including charges of $1\frac{5}{8}$ per cent., at 1s $11\frac{3}{4}d$), would not in itself promote the object in view

3 During 1805 when money was scarce, the average rate for sovereigns was Rs. 10 2

4. For the last twelve months the average is Rs 10 0 for "Queens' Colonials are usually $\frac{3}{16}$ per cent. less in value

5 Three annas premium is equivalent to laying down the rupee at a $\frac{1}{16}$th within 2s but sovereigns at this figure would only come to Government at exceptional times

6 It would be of paramount importance for Government to obtain from India itself a portion of supplies for the contemplated gold circulation, and the question is what feasible plan might be adopted to attain such a desirable result.

7 Formerly there used to be steady export of bullion from China and the Persian Gulf, but since the establishment of Banks in China remittances have been obtainable on India by demand drafts, and the bullion exports from the latter place (China) have decreased

8 There is however enough bullion in this country to supply the mint for many years The reserve of specie stored in India does not probably fall short of 150 *millions* A price such as Government could afford would not disturb this reserve, because it has been laid down at a higher average by people who have no need or desire to break up the bulk of their accumulated hoards.

9 Besides the amount estimated above, there are, probably, at least 20 millions used for ornaments.

Dragon" sovereigns, for which a fancy price is usually given of $2\frac{1}{2}$ per cent sometimes 5 per cent over Queens, are as a rule, purchased for the Malabar Coast and used *solely* for ornaments.

10 Sovereigns cost including brokerage $1\frac{5}{8}$ per cent. to lay down in India and this is equivalent to Rs. 10 2-6 or the rupee at 2s $\frac{0}{6}$ 230d

The supply is regulated, not so much by the demand for sovereigns, as the rate of exchange ruling on London.

11. At this moment it would be cheaper by a gain of two months' interest and $\frac{1}{16}$ 158d in exchange to sell a demand draft on London (*i e*, at 1s. 11d), than to import sovereigns saleable at 9 annas premium, which is equivalent to 5$\frac{5}{8}$ per cent, or say 1s. 11$\frac{1}{16}$ 458d per rupee

12 Apart from the question of exchange (which, however, has an important control over the value of gold), sovereigns under the prevailing system are, generally, at too high a premium to enable Government to become a purchaser to promote their circulation.

13 The mere fact of declaring a sovereign to be a legal tender would not, in itself, promote the introduction of gold, nor would it disturb the hoards of English and Colonial sovereigns in Cutch and Guzerat, nor attract to the mint the bullion stored away.

14 The most desirable plan, apparently, is to establish a gold currency with the British sovereign standard

15 The introduction of a gold standard by fixing sovereigns at a uniform and legal value would, if anything is calculated to do so, break up by degrees the enormous hoards of gold bar and leaf, because there would be a more convenient mode of reserving as occasion required, without loss, the recognised circulating coin of England, Australia, Ceylon and India—a coin which would bear an intrinsic value totally independent of the fluctuations of prices.

16 Natives are slow to change, but when they understand that the establishment of a gold standard fixed the permanent value of gold coin in India, and that it is the cheapest, and in fact the only, plan to send bullion to the Mint, they will gradually drift into the new groove, and will soon appreciate the policy of obtaining a coin which knows of no fluctuations in value, and is in legal circulation all over India

17 The Mint can hardly look forward to any gain, *primâ facie*, on introducing a gold currency The additional tax it would be necessary to impose on silver, especially the subsidiary coins, should go far, however, towards paying expenses

18 The Mint would eventually obtain a profit by converting gradually the present rupee into representative coins of less intrinsic value, but of equal denomination and *current* value

19 Government would, probably, deem it needful to issue a considerable quantity of small silver and copper coins upon which the tax would chiefly fall, and to make laws prohibiting the coinage of silver on account of *individuals* also to *limit the amount* of silver as a legal tender

20 With respect to the extract from Mr G Arbuthnot's minute, para. 6, important questions arise as to whether the bullion hoarded would be disturbed by a gold standard, and whether bullion and coin would cease to be stored to such a considerable extent after its introduction.

21 It must be borne in mind that the bullion stored represents principally the balance of profits made out of the products of the country, and gold has been chiefly chosen on account of its convenience in bulk and imperishable value.

22 Regarding therefore "supplies of gold,' it is most desirable that the country itself should disgorge. A gold standard and a legal limit for silver would, probably have the effect sooner than expected, of forcing sovereigns into circulation, and bullion into the Mint.

23 Doubtless grave questions arise regarding the effect a gold standard would have on the relative positions of "debtor and creditor," and Government having the heaviest contracts for silver payments, naturally fears any artificial depreciation of gold and enhanced value of silver

24 This fear based on theoretical grounds would be dissipated by a practical adoption of a gold standard, combined with the restrictions proposed to be levied on silver These restrictions would increase the current value of silver, and the amount for circulation would be under the control of Government, and its legal tender limited to a fixed sum. Contracts beyond the limit would be disbursed in *sovereigns*

25 This argument is based on the presumption that sovereigns will be '*demandable* and practically this course will be a necessity if any change is contemplated. It will affect the question of supplies of bullion from the country for coinage but a legal tender merely will hardly alter the existing state of the currency

26 A gold coin of any other description than the English sovereign, which closely approximates in value to Rs. 10 would only lead to an anomalous state of affairs.

27 India s extraordinary capacity for absorbing the precious metals may lead to unforeseen difficulties in the way of a gold currency The introduction of gold coin (British standard) would be followed by a rush

to obtain sovereigns in exchange for rupees, and it might be politic at first to concede to the demand, and issue a fixed number free of any restrictions on silver, although the majority of the sovereigns would, doubtless, be hoarded.

Moreover, the Mint must be fully prepared for the demand, and it is for Government to determine at what extent sovereigns will be issued before the laws respecting silver are enforced, if they consider the adoption of the above suggestions desirable.

From J. TAYLOR, Esq., *Secy., Bombay Chamber of Commerce, to the Acting Chief Secy to the Govt of Bombay, dated* 14*th September* 1868

I have the honor to acknowledge the receipt of your letter of the 24th July, submitting copy of a confidential letter from the Government of India, dated 30th June, on the subject of a gold currency for India, and requesting an expression of the opinion of this Chamber in a confidential form on the various points raised therein.

The question of the introduction of a gold currency into this country has often been discussed by this Chamber, and a decided opinion as to its advantages, on the grounds both of economy and convenience, has, on more than one occasion, been already laid before the Government of India.

On these points there is now little difference of opinion, and the only point of any importance remaining for discussion is in reference to the best practical mode of introducing gold without disturbing, in any sudden or violent manner, the currency at present in use, to which the people have so long been accustomed

After much consideration of the subject, the Committee of Management of this Chamber are strongly of opinion that the simplest and safest course to follow would be to fall back upon Act XVII of 1835, coin gold pieces of Rs 10 and Rs 5 respectively, and declare them legal tender

The Committee would, however, deprecate coining 15 and 30 rupees gold pieces as enacted by Act XVII of 1835 the only argument in their favor is the fact that at former period these coins were familiar to the Natives of India, but this argument is now altogether obsolete, and 10 and 5-rupee gold pieces would now be preferred by Europeans and Natives alike

The Committee of the Chamber entirely agree with the opinion expressed by the Currency Commission of 1866, that the price of coined gold as sanctioned by law in 1835 "seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of Rs 10 and Rs 5 respectively, the 10 rupee piece bearing the weight of 120 grains and the 5 rupee piece of 60 grains"

In para. 12 of the letter from the Government of India it is stated that, since the evidence submitted by the Commission was taken,

"gold has, at times, risen in value, and the tendency of gold to rise in value remarked by Sir William Mansfield in 1864, has somewhat farther declared itself since that date Consequently there may be room for doubt whether if gold pieces were now to be coined, the standard value as fixed in Act XVII of 1835 or some other standard, should be adopted.

Gold and silver of course fluctuate in value like all other commodities, though probably less so in the long run than any other and their relative value has certainly not altered so as to make a change in their respective values as fixed by the above-mentioned Act in any degree justifiable

The question of the introduction of gold into the currency of India has been needlessly complicated by the desire expressed in so many quarters for the introduction of the English sovereign and various plans more or less ingenious, have been proposed for its introduction as the equivalent of Rs 10

As the sovereign however, is admitted on all hands to be of greater intrinsic value than Rs 10 it could not be made a current coin as the equivalent of that sum without raising the value of the rupee—a thing no wise statesman would think of proposing The artificial method proposed for effecting the same objec by raising the seignorage of the silver coinage is hardly less objectionable and to declare the sovereign legal tender at its supposed value of Rs. 10-4 would be inconvenient to the public and possibly a loss to the State

The Committee respectfully submit the only safe way of dealing with the sovereign would be to continue the permission given in 1864 for its receipt at the public treasuries at the exchange of Rs 10 by this course the State is in no danger of losing anything and otherwise a notification to this effect would frequently be found to be a benefit to individuals and a convenience to the public

In para 13 of the Government of India's letter it is stated that "at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender."

In reference to this remark, the Committee are respectfully of opinion that neither the plan they recommend nor any other likely to be devised will have any practical effect unless the coins proposed to be introduced are to be made legal tender, and unless Government are prepared to go this length, it would really be better to leave things as they are, for no half measure will effect the object in view

The only possible objection is the theoretical one of the supposed evils of a double standard, but the measure proposed is of so tentative a character, that there need be no fear on this score, and it seems hardly wise to defer giving effect to a scheme likely to prove of great public convenience and usefulness from the apprehension of a supposed evil never likely to arise

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From T C HOPE, Esq, *Collector of Surat, to the Acting Chief Secretary to the Government of Bombay, dated 25th September* 1868

I much regret that the absence of any of the previous correspondence and of tables showing the value of gold and silver coins at various dates has prevented my replying to your No 1100 of July 24th until now, when the time for replying, so as to be of use, has, probably, gone by

2 It, therefore, seems best not to trouble Government with any lengthened arguments in favor of the views I have for some years held, but merely to record what I have observed to be the state of Native public opinion in Guzerat, and chiefly at the great cities of Surat and Ahmedabad

3 There can be no doubt that any interference with the existing rupee coinage would be highly unpopular, as complicating the settlement of all debts and removing the present convenient measure of weight

4 Any gold coinage for India should, therefore, be, as far as practicable, an exact multiple of the rupee The goldmohur of Act XVII of 1835 is permanently current in Guzerat at Rs 15, and, therefore, pieces of Rs 10 and Rs 5 on the same basis will exactly fulfil the required condition

5 Such pieces will, however, be in little favor and use unless they are made a legal tender Without that, they will be merely so much

gold, subject to all uncertainties of alleged as well as real fluctuations in the value of the metal proclaimed by the money-changers, which will materially counterbalance the conveniences of ready transport and use, which are almost the only recommendations of a merely optional gold currency With it, they are certain to be gladly and largely adopted in transactions of all kinds, to the great relief of commerce, equally with the convenience of the people.

6 So indisputably general does this popular feeling appear to be, that I can conceive no adequate reason for Government hesitating any longer to comply with it, and spending valuable time in further tentative measures which are sure to fail. The evils of a double standard appear to exist chiefly on paper, and in the minds of those who take too exclusively a theoretical or bullion-dealer's view of the question, without making allowance for the effect of general popular consent in modifying theoretical truths. If we adopt as a legal tender a gold piece such as that on the basis of the goldmohur, which fairly represents the relative value of gold and silver, I am convinced that it will in practice, be universally adopted at its legalised value, notwithstanding whatever minor fluctuations may take place in the relative price of gold And if, after the lapse of a series of years a permanent variation in value be established, I know of no difficulty in altering the coin accordingly

7 It remains to consider at what rate sovereigns should be accepted in the public treasuries. The market value of these in the Surat market is usually Rs 10 11 for English sovereigns and about 9 pies more for Australian But during the three years of cotton prosperity they were worth only Rs. 10 as they were largely imported to pay the cultivators, and on the other hand they were about eight years ago worth as much as Rs 11 8 owing to a demand for them in Bombay when exchange was unfavorable These fluctuations appear to indicate that the high value of the sovereign is almost entirely dependent on its scarcity Its true relative value which as far as I understand is about Rs. 10-4 would be the only suitable price for Government to receive it at as efforts to keep it in circulation at any artificial price must be futile. If however gold pieces of Rs. 10 and Rs 5 be made a legal tender, the question of the receipt of sovereigns will become comparatively unimportant, as the former will immensely preponderate over them in both quantity and popularity and they will probably, not penetrate to any appreciable extent into the mofussil.

Endorsed by the Government of Bombay, No. 1499, *dated 9th October* 1868.

Submitted to the Government of India, in continuation of this Government letter No 1460, dated 28th September 1868

Minute by the HON'BLE SIR RICHARD TEMPLE, *dated 25th September* 1868.

I beg to revert to my minute of the 5th of June last regarding gold currency.

2 I also circulate some important replies to our Circular of 30th June last These may be considered as the best opinions obtainable in Calcutta and Bombay The Lieutenant-Governor of Bengal has not, indeed, given his opinion, but he telegraphs to say that he has nothing in particular to suggest Mr. J Skinner, one of the best authorities in Calcutta, is now at Simla His views have always corresponded with those of Mr Dickson, whose reply will be found among the papers which I now circulate.

3 The reply from Madras has not yet come, but the early despatch of it has been promised by telegraph from Madras

4 I submit that the time has arrived when we may safely issue a revised notification in continuation of that of November 1864, to the effect that sovereigns would be received by Government treasuries at the rate of Rs 10 each I would offer now to receive them at Rs 10-4 each That this improved rating is at least *safe* seems abundantly proved by the papers now circulated Whether such a rate is quite high enough to attract sovereigns in any large quantities while the *present* market rates continue to rule may be doubtful, but that *if* we could get sovereigns presented at Rs 10-4 we could dispose of them easily and advantageously seems to be beyond question The only question, indeed, would be whether Rs 10-4 are a sufficient amount to offer for a sovereign in these times But as all previous enquiries, all average calculations extending over considerable periods, and the balance of the opinions embodied in the papers now forwarded are in favor of the Rs. 10-4 rate, I am not prepared to recommend that more should be offered, and I consider that the effect of this new offer ought to be tried

5 Looking to all that is laid down in Sir Charles Wood's despatch of 20th September 1864, and to the considerations set forth in the

earlier part of my minute of the 5th June last, I submit that if this view be approved by the Governor General in Council, then His Excellency might *now* permit a revised notification to be issued as above explained

6 The other points raised in my minute of the 5th June might be further considered on receipt of the reply from Madras, and would, probably, involve a reference to the Secretary of State.

I entirely concur with Sir Richard Temple The reasons for the proposed course are exhaustively given by Mr Dickson, to whom our thanks are due for his treatment of this vexed question I hope when we receive all the replies we may consider the other points of establishing a legal tender in an Indian gold coin.

27th September 1868 W R M

I concur At present, no doubt, we shall not get sovereigns at Rs. 10-4, or any rate like this but Rs 10-4 appears to be a rate which will bring them into the country Circulate to those Members of Council who have not seen the papers.

28th September 1868 J L

I have no objection to the experiment but with His Excellency, I am very doubtful of its success until gold is made a legal tender

29th September 1868 G N T

I concur also

12th October 1868 H S M.

I concur

12th October 1868 H. W N

Minute by His Excellency SIR W R. MANSFIELD.

For the reasons already given, I dissent from the views expressed in the Hon'ble Mr. Strachey's minute *

And, further, I can see no reason for applying to the Secretary of State for leave to coin gold at the mint, which is not only permitted, but *exacted* by law whenever gold is presented for coinage, according to the conditions stated in the Act of 1835.

In short, it is no one's business but that of the Mint Master, who must, according to law, coin the gold pieces if gold be brought to him for the purpose, either by private parties or by Government.

I venture to think that this state of the law has been misappreciated in our discussion.

The coining of redundant gold which may be in the treasuries, either in the form of sovereigns or bar gold, rests solely with the Financial Department, which, I presume, would only be restrained in its operation by the facts of profit or loss to be derived from the operation.

I would strongly recommend that the market of Calcutta be *judiciously* warned of the state of the law by Mr Dickson, and that the notification proposed by Sir Richard Temple having been issued, gold coinage proceed, either at the demand of private parties or to ease the treasuries, whenever the latter operation appears remunerative to the Financial Department. We shall thus finally arrive at the facts, the ascertainment of which is indispensable when this Government can be in a position to declare gold to be a legal tender

In this manner we shall tread in the footsteps of France and the United States, and turn every difficulty I do not see that any more discussion or reference is needed

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Minute by the HON'BLE SIR RICHARD TEMPLE, *dated 20th October* 1868.

All our hon'ble colleagues (with the exception of Mr. Strachey) have concurred in the proposal made in my minute of the 25th ultimo, and approved by His Excellency the Governor General, to issue a revised notification for the admission of sovereigns at a rating of Rs 10-4 each. I accordingly submit a draft notification for His Excellency's final approval The draft exactly follows the wording of the notification of 1864, to be found at page 301 of the book which accompanies This

* This minute was accidentally mislaid and is not forthcoming. See para. 2 of Mr. Strachey's minute of 30th January 1869, in page 479.

could, with His Excellency's approval, be published in next issue of *Gazette*

His Excellency having decided that the question of coining gold pieces shall stand over for the present, or until we reach Calcutta, I need not advert to the considerations connected therewith, as mentioned in some of the notes now put up

In answer to my hon'ble colleague Mr Strachey's arguments, it seems sufficient to observe that it was decided in 1864 that sovereigns should be encouraged in India by being received at the Government treasuries I need not now recapitulate the grounds of that decision. A certain rate of admission was notified. That rating is now seen to be somewhat too low The object of admitting sovereigns, as previously decided, still remains But as the rating is too low, it is to be slightly raised, from Rs. 10 0 to Rs. 10-4 The revised rating is proved by enquiry to be a very safe one. That is all which is now proposed. And this moderate proposal is so far, separate from the other questions connected with gold currency in India. I would observe, in conclusion, that the passage from Sir Charles Wood's despatch, as quoted by Mr Strachey (see page 299 of the book accompanying), refers to the enactment of legal tender—a measure not as yet proposed by me.

Notification by the Government of India Financial Department, No 3287, *dated 28th October* 1868

In modification of the Notification by the Government of India, No 3517 of the 23rd November 1864, the Governor General of India in Council is pleased to direct that from and after the publication of this notification sovereigns and half-sovereigns, coined at any authorised Royal Mint in England or Australia of current weight shall be received in all the treasuries of British India and its dependencies in payment of sums due to the Government as the equivalent of ten rupees and four annas and five rupees and two annas respectively and that such sovereigns shall, whenever available at any Government treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government. The gold pieces stated in section 7 of Act XVII of 1835 will also henceforth be received as above, according to the values stated in that Act

Notification by the Government of India, Financial Department, No. 3438, *dated 3rd November* 1868.

Erratum.—In Financial Notification No. 3287, dated 28th October 1868, regarding gold currency, published in the *Gazette of India*, dated 31st idem, for section 13, read "section 7" of Act XVII of 1835.

From the Government of India, to the Secretary of State for India, No 333, *dated 23rd December* 1868

By our despatch No 29 of the 22nd January 1867, we submitted copies of the report by the Commission appointed to enquire regarding the currency, both paper and metallic We now desire to address you in respect to that part of the subject which relates to gold

2 It will be in your recollection that by the notification of the 23rd November 1864 the Government of India engaged that sovereigns and half-sovereigns should be received at the public treasuries as the equivalent of 10 and 5 rupees respectively, until further notice. The declared object of this was that "the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated."

3 In his despatch of the 26th September 1864 on this subject, the Secretary of State remarked that there was "no objection to reverting to a state of matters which prevailed in India for many years, namely, that gold coin should be received into the public treasuries at a rate to be fixed by Government and publicly announced by proclamation."

4 Further on he laid it down that—

"the question as regards the introduction of the sovereign into circulation at the rate of Rs 10 must depend on whether it would be worth the while of any person having a payment to make to carry gold to a mint to be coined into sovereigns, or to import sovereigns, in order that he may have the power of paying a sovereign in discharge of a debt which he may equally discharge with ten silver rupees It is not probable that at the present relative value of gold and silver, any one would incur the loss which such a proceeding would involve * * * Whether it would do so, and to what extent, can only be determined by experience"

5 Further again, in reference to the notification above alluded to, he observed —

"It will, as far as it goes, facilitate the use of the sovereign and half-sovereign in all parts of India, it will pave the way for the use of a gold coinage, in whatever shape it may ultimately be found advisable to introduce it"

comparatively dead letter Already some thousands of sovereigns at the new rate have been received at the Calcutta Treasury, and more are expected to be paid in

13 Seeing that the rate of 10 rupees 4 annas for the sovereign approximately corresponds with the standard fixed by law for the British Indian gold pieces, that the coinage of these pieces has been going on to considerable amounts year by year and is still proceeding that the quantity of these coins taken by the public affords proof of their undiminished usefulness and popularity,—we have determined to receive these pieces at the public treasuries at the valuation fixed by Act XVII of 1835, and we have notified accordingly Previously to 1852 these coins used to be received at the public treasuries. In that year this practice was discontinued by the order of the Government of India, consideration having been had to the possibility of an excessive influx of gold from Australia That apprehension has now, of course, passed away It is thus plain that these pieces may be received at the treasuries without loss to the State and with much convenience to the people Notwithstanding the disadvantage of not being receivable at the treasuries, these pieces have, during the period which has elapsed since 1852, been coined at the Calcutta Mint to the value of upwards of one million sterling For this coinage the gold was almost entirely received from the public, and the coins are believed for the most part to have been sent up-country We shall continue, of course, according to the law, to coin in this way all gold bullion or specie that may be presented for coinage

14 It will be for the Financial Department to determine from time to time what should be done with any superfluity of sovereigns which might possibly accrue, namely whether to coin them into Indian pieces or to remit them to England, when such an operation might be favorable with regard to the state of exchanges

15 It will be for experience to determine whether sovereigns will take a place as current coins, the sovereigns not being the exact multiple of the rupee, or whether as is most probable the Indian coins will be preferred. Should the former turn out to be the case then sovereigns will be taken out of the treasuries as freely as they are paid in at the rate stated in the revised notification. If, on the other hand the sovereigns are not taken out, the public have an immediate remedy as referred to above namely, in turning them into Indian gold pieces If the latter result should come about, there would be proof of the impossi

bility of successfully applying the sovereign to currency purposes in India.

16 Heretofore, however, only 15-rupee pieces have been coined, although the law authorises the coinage of 10 and 5-rupee pieces We propose to make early arrangements for the coining, according to law, of 10 and 5 as well as of 15-rupee pieces

17. We append copy of our recent notification above alluded to

18 In conclusion, we hope it will be understood that we have steadily kept in view the advantage of ultimately making gold a legal tender.

19. On a careful retrospect of the whole case, we apprehend that experience shows that what may be termed artificial difficulties have arisen, first, from the prohibition to receive gold at the treasuries in 1852. After that it was attempted in 1861 to cause the sovereigns to pass at a rate which experience shows to be less than the coin is worth What is now being done is experimental and tentative, in order that we may become sure of the fact as to the relative value of gold and silver in India before we make the attempt to stereotype the results by a law and commit ourselves finally to the legal tender of gold. It is our belief, however, that the time is not far distant when such a law may be passed And that the desire for such a law is very general throughout India was proved by the evidence taken before the Currency Commission, and has been further corroborated by all the information which has subsequently reached us

20 Our honorable colleague, Mr John Strachey, does not concur in the substance of this despatch The Minute which may be recorded by him on the subject will be subsequently forwarded.

From R. S Ellis, Esq , *Chief Secretary to the Government of Madras, to the Secretary to the Government of India, Financial Department, No. 590, dated 30th December* 1868

Referring to your letter, dated the 30th June last, No 766, marked "Confidential," relating to the introduction of a gold currency into India, I am directed to transmit copies of the minutes recorded by His Excellency the Governor and the Hon'ble Mr Arbuthnot on the subject, together with copies of letters containing the views of the Chamber of Commerce, Madras, and the gentlemen named in the margin, to whom copies of your letter were sent for an expression of their opinion

J D Sim, Esq , Member of the Board of Revenue
Colonel C A Orr, Secretary to Government in the Public Works Department, late Mint Master
Colonel C A Carpendale, Mint Master
The Hon'ble V Ramiengar, Superintendent of Stamps

Proceedings of the Madras Government, Financial Department, dated 30th December 1868

Read the following papers —

From COLONEL J CARPENDALE, R E., *Mint Master, to the Chief Secretary to the Government of Fort St George, dated the 10th September* 1868

I have the honor to acknowledge order of Government in the Financial Department, No 307 of the 6th ultimo communicating a despatch from the Government of India on the subject of the gold coinage The questions for report are—

I At what rate, as an equivalent in rupees, should English and Australian sovereigns be taken at the public treasuries ?

II Whether the standard value of the gold mohur, *viz* , 15 rupees, as fixed by Act XVII of 1835 is or is not perfectly applicable to the present time and to the immediate future and whether the proclamation of 1852, prohibiting the receipt of gold mohurs into the treasuries, might not be repealed ?

III What should be the standard of 10-rupee gold pieces if the introduction of such a coin was resolved on ?

2 Any one whose attention has been directed to this subject is aware that the chief obstacle to the introduction of a gold coinage in India, where the standard is silver, is because gold has a fixed value almost everywhere out of India and silver a fluctuating one, and which varies, moreover, according to the demand rather than according to the supply but it is not so generally known that another difficulty exists in Southern India in the circumstances that, owing to the partiality of the people of the country for this metal, gold commands a price in some places in excess of its intrinsic value in Europe and Australia *plus* all the attendant expenses of its importation and until this demand is satisfied, I should not expect any legislation to be effectual in keeping gold coins in circulation, whether they be sovereigns, the gold mohurs or new 10 rupee pieces

Again, although in England the Australian is rated on equality with the English sovereign in the town of Madras there is always a difference of one anna in favor of the English sovereign, and that although the Australian is really a trifle more valuable on account of the silver contained in it, the quantity of fine gold in both being the same, and this is not owing as is sometimes thought to the English sovereign being a more marketable article for homeward bound travellers, but

simply because of the colour, a hint to be remembered in the event of gold being coined in India, that its fineness and composition should be what the people of the country are familiar with and appreciate, *viz*, $\frac{11}{12}$ fine gold and $\frac{1}{12}$ copper, being the same as the English sovereign and the gold mohur

Another peculiarity to be observed is that sovereigns command a higher price than gold of equal purity in any other shape, probably because of the Mint Stamp being accepted as a guarantee of its value the cost of assaying is saved. It is also worthy of notice that in the provinces the price of gold varies with the caprice of the people, in one place the old St George sovereigns being in greater request than those of the present coinage, and in other districts an Australian sells for 2 annas more than a British sovereign

3 I now proceed to consider the sovereign as a coin for India, first observing that I will omit for the present the cost of procuring the coin, such as freight, insurance, &c, and merely take account of the intrinsic value of the article which alone affects the general question of gold and silver that are imported from the same places circulating together, and I will omit altogether the Mint seignorage, which does not in any way affect the value of coins in circulation, for I think that some writers on the subject have complicated the question very much by insisting on the value of a coin being the cost of procuring it, and taking as their datum line the cost at which gold can be obtained by importation from London and Melbourne, including all expenses for transit, and the seignorage or Mint charge in India for coining, the latter having nothing to do with the absolute value of the coin, but simply affecting the question of importation, and enters into a banker's and merchant's calculations as to which is the most profitable means of remittance at any particular time, whether gold, silver, public or private bills, or "Government Paper," but it no way affects the relative value of the coins once they are put into circulation For instance, when the Mint coins a hundred rupees worth of standard silver into a hundred-rupee pieces, and gives back the importer only ninety-eight, keeping two for the Government as seignorage, each of those ninety-eight are still worth sixteen annas, and are in no way depreciated by the cost of obtaining them, or because the merchant found it was more profitable to obtain them by importing bullion, than by importing hardware, or piece-goods, or by buying a bill on a bank Or again, not long ago a profitable remittance on a particular occasion was made by a gentleman in Madras to London,

by means of sovereigns bought at a considerable premium, so called, that is in excess of ten rupees. The cost of each of those sovereigns on reaching England was necessarily greatly in excess of twenty shillings, but the value of the sovereigns remained the same.

4 Commencing the inquiry then with the sovereign The fixed price of standard gold in London, that is, gold which is 11 12th fine, or of which 440 grains out of each ounce is fine gold, is £3 17 0 an ounce, or 933 pence

The price of English standard silver is now, and has for some time been, in London 60⅜d an ounce English standard being 444 grains of pure silver in each 480 of standard metal while the rupee standard is 440 grains of pure silver in each 480 To find then the relative value of the two metals, we have—

As 440 *grs* 933*d* 480 *grs* 1017 81*d*, the price of an oz. of fine gold

As 444 *grs* 60 375*d* 480 *grs* 65·27*d*, the price of an oz of fine silver

Whence as 65 27*d* 1017 81*d* 1 15 593 that is, the relative value of gold to silver, when the price of silver is 60⅜*d* an ounce is as 15 593 : 1; consequently to find the value of a sovereign expressed in rupees, we have, as the sovereign contains 113 001605 grs of pure gold and the rupee 165 grains of pure silver, $\frac{113\ 001605 \times 15\ 593}{165} =$ Rs 10 678 or Rs. 10 10 10 But gold bought in England at £3 17 9 an ounce is circulated in the form of sovereigns at £3-17 10½ an ounce which makes the value of the sovereign in rupees when silver is 60⅜ pence an ounce, exactly Rs. 10 11-0 the current price in the town of Madras being Rs. 10 12-0 and in some districts in the provinces Rs 11 and Rs. 11 2-0 while the cost of procuring them from London at 1½ per cent. would only raise the value from Rs. 10 11 0 to Rs. 10-13-4, for the freight and insurance on sovereigns from London at the present time barely exceeds 1½ per cent.

It has been proposed to declare the sovereign a legal tender for ten rupees, and to encourage their importation by means of largely increasing the seignorage on silver whereby it is hoped that the sovereign might eventually fall in value to be worth exactly Rs. 10 It would of course be possible to raise the seignorage on silver so much that gold only would be imported but I do not understand on what grounds it is

expected that sovereigns, the importation of which is thus forced, will be paid into Government Treasuries for less than their value, or that other gold will be tendered to the Mint for a less price than is procurable elsewhere The relative value cannot alter until gold becomes cheaper all over the world, or until the price of silver rises, and as an English sovereign at the present price of gold can never be worth exactly Rs 10 until English standard silver is 64½ pence an ounce in London, I cannot see any grounds for the expectation The present low price of silver, 60⅝ pence an ounce, is undoubtedly owing to the diminished demand from India, the largest consumer in the world. And it stands to reason that any further decrease in the demand, arising from the introduction of gold into the currency, must tend to still further lower—certainly not to enhance—the value of silver, so that a fall to 60 pence an ounce may, I think, be expected, while, on the other hand, any tendency to a fall in gold owing to increased production, which might otherwise be feared, will be retarded by the increased market of India, and with English standard silver at 60 pence an ounce the value of the sovereign would be Rs 10-12-2.

In 1798 the coinage of silver in England was altogether prohibited by law, and the price of standard silver at that time in London was 5*s.* an ounce, that it subsequently rose to 5*s* 10½*d* an ounce in 1810 must, I think, be attributed to the new demand, and that it has since gradually fallen is owing I think, it must be admitted, to gold having in so large a degree taken the place of silver in the currency of France and other countries.

5 It will be observed that the above calculations are all based on the London price of gold, £3-17-9 an ounce, or £3-17-10½ an ounce, the rateable value of a sovereign, but it has been urged that as gold can be imported at a cheaper rate from Australia, its *minimum* price should be the *data* for calculation, and that the price at which gold from Melbourne can be laid down in Calcutta is £3-18-4 an ounce This argument appears to me to be assuming that because gold can be procured from Melbourne cheaper than from London, it necessarily will be No doubt if the balance of trade between India and Australia required adjustment by a bullion remittance from the latter country, such importation of gold would be cheaper, provided it was not in the form of sovereigns, than from other parts of the world, but if the bullion is required in adjustment of a balance against Europe, I question the fact of its being cheaper, as the transaction would entail charges of at least

4 to 6 per cent., though it is easy to understand that it may be more profitable to a merchant in London who has a debt to discharge in India, and has funds available in Australia, to effect an adjustment by means of gold from Australia sold below its actual cost, than to carry the gold to England before discharging the debt in India at any rate the other fact remains, that India's annual receipt of gold from England and other parts of Europe is very large, and as gold would continue to be imported from both countries, it is more probable that the Australian consignments would rise to the English rate, than that the latter would fall, but supposing the contrary to be the case, let us see what would then be the value of the sovereign in rupees

The gold is supposed to be received direct from Australia at the minimum cost, including export duty, freight, and insurance, &c , and to be worth, or rather to have cost the importer, on arrival, £3 18-4 an ounce

To compare we must suppose that silver is in like manner, procured from the cheapest market *viz.*, London, at 60*d* an ounce. Add 1½ per cent. for freight, insurance, and other charges, brings it up to 60 9*d* an ounce.

Then with silver at 60·9*d* and gold 940*d* an ounce, the relative value of the two metals is as 1 to 15 435, and the value of the *sovereign* in rupees would be 10 9 1, that is supposing it to be coined in India at the expense of the State Sovereigns imported from Australia would cost pretty much the same a little more than if imported from London.

I am somewhat doubtful however that gold can be always imported from Australia at so low a rate as £3-18-4 an ounce, including all charges. I know it sometimes costs £3-17-4 the standard ounce in Australia, and that export duty freight, and insurance come to something more than 1½ per cent., making the price on arrival in Madras £3-18 7½ The cost of obtaining sovereigns from England at the present time barely exceeds 1½ per cent. say £1 11 0 per £100, against £1 18 6 from Australia.

6 I do not think then, that the par value of a sovereign, or the equivalent quantity of gold, is ever likely to be ten rupees. No doubt it would be a great advantage were it so but the general idea of its being so is probably owing to the popular but erroneous impression that the par value of a rupee is two shillings as the tenth part of a pound sterling whereas the exact value of a rupee in London at the present time as nearly as it can be expressed in English currency, is 1*s* 10½*d* , and the

intrinsic value of an English florin or of two-shilling pieces when silver is 60*d*. an ounce is 1*s*. 9½*d*. I do not think, therefore, that a smaller sum than Rs 10-12-0 as the equivalent of a sovereign would be effectual in getting them paid into Government Treasuries.

7. Further, I am of opinion that any tentative measure which simply brought sovereigns into Government Treasuries, and ensured their issue at the same rate, could not be regarded as a success while the same coin was not a popular circulating medium among the community generally, and that I do not think any coin would be which was not a legal tender, and I would therefore advocate that whatever gold coin it may be decided as most desirable to introduce into India, should be declared a legal tender. I cannot see any injustice to creditors that they might be paid in what there is every reason to expect will be at any time hereafter the most valuable metal, seeing that the price of silver has been for a long time gradually falling, and that there is no ground for expecting its relative value to gold to increase.

8. It may seem strange, considering that Rs. 10, Rs 10-2-0, and Rs. 10-4-0 have so long been talked of, and written of, as the equivalent of a sovereign, that any one should now propose Rs 10-12-0 should be regarded as its proper value, and especially as it appears from the tables at the end of the second volume of the Currency Commission Report, that the price of sovereigns in Calcutta, from 1861 to 1866, varied from Rs. 9-15-0 to Rs. 10-7-0, but the question is one of fact, not of opinion, and I beg attention to the circumstance that these tables simply give the selling price, and not the value of the article with reference to the price of silver at the time, and that the only just way of estimating the value of the article is by comparing it with the standard value according to the rates of each precious metal in the chief market of the world

In Appendix XL, page LIII, of the Commissioners' Report, it is shewn that the average price of standard silver in London from 1819 to 1843 was 4*s*. 11$\frac{13}{16}$*d*, and from 1844 to 1865 it was 5*s* 0¾*d*, the mean of which is 60½*d*, the present price being 60⅝*d*, and I think we have therefore strong reasons for expecting that if gold become a legal tender in India the price of silver must fall to 60*d* an ounce The relative value of gold to silver deduced on the same pages does not appear strictly correct For the period from 1844 to 1865, the average price of silver is shewn to be 5*s*. 0¾*d* *and of gold £3-17-9 an ounce, and then the relative proportional* value is said to be as 1 to 15 358

This would be so, if an ounce of standard gold and an ounce of standard silver contained each the same number of grains of pure precious metal, which they do not do there being 444 grains of fine silver in an ounce of standard silver, and 440 grains of fine gold in an ounce of standard gold Hence, the relative value from 1844 to 1865 was very nearly as 1 to 15 5, which would give Rs 10 9 10 as the value of the sovereign, but even at the ratio shown in the Commissioners' Report, *viz*, 15 358, its value would be Rs. 10-8-3

I beg it may be understood that I put this view forward as what I believe to be a matter of fact not of opinion, and as the proof of it would be practically determined by the choice of bullion for remittance to England let us reverse the operation previously performed and see what the result would be

I have taken Rs. 10 12-0 as the value of the sovereign in the expectation of silver, which is now 60⅜ *d* an ounce, falling to 60*d*

Suppose, then a merchant requires to remit £10,000 to London, and that his choice of means lies between sovereigns and rupees

The 10,000 sovereigns would cost Rs. 1 07 500 and be worth in London £10,000 1,07,071 rupees remitted to London would be worth at 60*d*. an ounce English standard £10 000 so that, even at Rs. 10-12-0, the sovereign is somewhat under rated and it seems to me clear that if its relative value was fixed at any lower price, it could not be expected to remain in circulation at all and that if not wanted for hoarding it would be remitted to other countries *whenever a specie remittance was necessary* The cost of remitting 10 000 sovereigns to England would be 1½ per cent. The charge for silver would only be a trifle more than 1½ per cent. an inappreciable difference.

9 The gold mohur next comes under consideration. It weighs 180 grains, of which 165 are pure gold, whence its touch is the same as that of the sovereign then taking English standard silver at 60*d* an ounce and gold at £3 17 9 the relative value is as 1 to 15 691 and the value of the gold mohur expressed in rupees would be Rs. 15 11 6, as it contains 165 grains of fine gold, while a sovereign and a half-sovereign together contain 169½ grains of fine gold and would be worth Rs. 16 1 9 The gold mohur then being now worth Rs. 15-11 6 a *ten rupee piece* as a part of it and weighing 120 grains would be worth Rs 10 7 8 which is a closer approximation to ten rupees than the value of a sovereign but not close enough

10. A special gold coin, being the exact equivalent of ten rupees with silver at 60*d*. an ounce, and which it has been suggested might be called the "Victoria," would therefore appear the most appropriate medium for introducing gold into the Indian currency. Of the same touch as the gold mohur and the sovereign, its weight would be 111·51545 grains, of which 105 grains would be fine gold, and the exact equivalent is ten rupees. For, with sovereign gold at £3-17-10½ and silver 60*d*. an ounce, the proportionate value of gold to silver is as 1 to 15·715 and $\frac{105 \times 15 \cdot 715}{165}$ is equal to 10 rupees.

11. Let us now see what encouragement should be afforded for the introduction of gold, what advantage there must be in its importation in preference to silver. If a banker or a merchant wishes to import £1,000 in bullion, 1,000 sovereigns *plus* 1½ per cent. freight, insurance, &c., will cost him on arrival at Madras £1,015, and the outturn will be $\frac{113 \cdot 001605 \times 1000}{105}$ =1076·205 "Victorias" of 10 rupees each, or Rs. 10,762 less 1 per cent. seignorage, equal to Rs. 10,654-6-2.

If he imports silver—

£1,000 worth at 60*d*. an ounce is 4,000 *oz*., and the outturn will be

	10,765 rupees
less 2 per cent.	215·2 ,,
or Rs.	10,549-13-0

being a difference of only 105 rupees on a parcel of bullion valued at £1,000. This would certainly be an insufficient inducement to import gold in preference to silver, and I am inclined to recommend that seignorage on gold should be abandoned altogether, which would give it an advantage of 2 per cent. over silver, or if Government is unwilling to do this, the seignorage might be retained at 1 per cent., or reduced to a half on gold and increased to 3 or 4 per cent. on silver, but it must be remembered that if sovereigns are admitted into the currency, all seignorage on gold must necessarily be abandoned, and it would be requisite to authorize the coinage of sovereigns at all the Indian Mints.

12. Summing up the above remarks to answer concisely the order of Government—

I think Rs. 10-12-0 should be fixed as the value of a sovereign.

I think the prohibition to receive gold mohurs into Government Treasuries might safely be withdrawn, and that a smaller price than Rs. 15-11-0 would not ensure their payment into any treasuries.

I think that a ten rupee gold coin of the same fineness and colour as the English sovereign, and weighing 114 54545 grains, of which 105 grains should be pure gold, would be the coin best calculated to meet with general acceptance and to remain in circulation

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From J D SIM, Esq , *to the Chief Secretary to the Government of Fort St George, dated 22nd September* 1868

I have the honor to acknowledge the receipt of the order of Government, dated 6th ultimo, No 367, Financial Department (confidential), on the subject of the introduction of gold into the currency of British India.

2 My remarks necessarily apply only to the Madras Presidency

3 The first question proposed by the Government of India is "At what rate, as equivalent in rupees, should English and Australian sovereigns be taken at the public treasuries."

4 The present official equivalent of a sovereign, whether English or Australian is ten rupees; but as the sovereign is really worth much more, the receipt of these coins at the public treasuries has ceased No one, of course will sell a sovereign to Government for ten rupees when he can get more for it elsewhere.

5 Of late years, there has been a very great increase in the imports of silver and gold into this presidency but the exceptional circumstances which led to this are passing away and the imports of the precious metals are reverting to their normal standard There has been, however, this peculiarity in the bullion trade, *viz*, that while a very large portion of the silver has been again exported, the bulk of the gold has remained in the presidency It will be seen, from the enclosed Statement A,* that in the ten years from 1858-59 to 1867 68 the imports of silver by sea have been equivalent to 14 millions sterling, but in the same period ten millions have been exported, four millions being thus the balance left in the Presidency In the case of gold, however, while 8½ millions have been imported during the same period, only £260,000 have been exported, more than 8 millions being left in the country As gold is not a legal tender and is but partially used as a circulating medium this large retention of gold in the country must be for its greater convenience for hoarding, for conversion into ornaments and other similar purposes. If in addition to the value which its peculiar fitness for these purposes gives it, gold be now constituted a legal tender so far as the State is concerned, and the receipt of it at a

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* Not printed.

fair price be assured to the possessor at all times, a rise in its value, consequent on this new use to which it can always be applied, must naturally be expected

6 I enclose a statement (B)* extracted from the price currents of the Madras Chamber of Commerce, showing the prices of sovereigns at Madras from 1860 The mean of the annual rates I give in the margin. It will be seen from these how impossible it is to fix an equivalent for the sovereign, which, in the words of the Government of India, while not prohibiting their presentation, as seems to be the case at present, should induce the public to look to the superior convenience of gold as a measure of value when realizing dues from the public treasuries For the years 1862-66 probably Rs 10-4-0 would have been considered a fair and safe equivalent, but the result in the two next years would have been that every sovereign in the public treasuries would have been withdrawn, and none paid in. Considering the present ruling price of sovereigns,† and the probable rise in consequence of their being received at the public treasuries at a rate approximating to their real value, I do not think a lower equivalent than Rs 10-12-0 would meet the object which the Supreme Government seem still to have in view, that "the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated"

	English			Australian		
	Rs	A	P	Rs	A	P
1860	10	7	0	No quotations.		
1861	10	6	7	10	4	10
1862	10	5	8	10	3	9
1863	10	4	5	10	2	8
1864	10	4	2	10	2	9
1865	10	3	6	10	1	11
1866	10	5	10	10	3	5
1867	10	9	4	10	6	10
1868	10	11	2	10	10	9

7 I am not, however, in favor of receiving sovereigns at the public treasuries at a fixed value, believing that such a measure will be either futile or injurious—the former when the fixed value is below, the latter when it is above, their market value—while, as a rule, it will be either one or other

8 Further, looking at the abnormal condition of the trade of India of late years, I do not think the value of the sovereign can yet be safely predicated But, if the Government do not make sovereigns generally a legal tender—if they only issue sovereigns at their official equivalent so long as they have them in their treasuries, and reserve the right, at any time, of declining to issue them and of altering the equivalent—the present rate of Rs 10 might be raised to Rs 10-8-0 with

* Not printed

† Large quantities are sent into the provinces, and the price there must be still higher of course.

perfect safety, but this would not, at present, encourage the introduction of sovereigns. This, in my opinion, could not be anticipated from any rate lower than Rs 10 12 0; but, on the other hand, it must be considered that the latter rate might soon prove so much too high as to enforce a reduction, and that alterations in the equivalent cannot but be mischievous. As already stated, I am opposed to the contemplated measure, and would leave gold simply as a marketable commodity.

9 The second question is, "At what standard value should ten rupee gold pieces be coined, supposing such coinage were resolved upon?" It is added in connection with this question, that "at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender." From the above it would appear that the object is to coin a gold piece which shall so precisely represent the value of ten silver rupees that as regards relative value, the creditor will receive and the debtor pay indifferently in silver or gold.

10 I do not see how this equalization is to be effected or maintained. Silver is falling and gold rising in value, and fluctuations must in the nature of things be expected. I cannot see any middle course between making gold the legal standard with a subsidiary silver coinage, or retaining silver as it is. Considering the fact of all obligations in this country public as well as private, having been contracted in silver, and having regard to the present condition of the great mass of the people, I am of opinion that the time has not arrived for changing the standard of currency. I have no doubt gold coins would be acceptable to the people as enhancing the utility and value of the metal they find most convenient for remittances and reserves, but I do not believe that in this presidency they would materially displace silver as a circulating medium. One effect of a gold currency would certainly be to drive the paper currency out of circulation, and confine the use of bank notes to purposes of remittance as a substitute for bills of exchange.

11 In paragraph 9 of his letter, the Secretary to the Government of India further inquires whether any objection exists to the withdrawal of the Notification of 1852 prohibiting the receipt of gold mohurs at the public treasuries. The coinage of gold in this presidency ceased 20 years ago, and gold mohurs are not often seen now-a-days. There can be no objection to receiving them now at the legal value of Rs 15 each, but many are not likely to be received, as they bear a higher value in the market, and those that are in existence are in the possession of persons not likely to part with them.

P. S.—I return the Despatch and G. O. under acknowledgment.

MEMO—*By* COLONEL C. A. ORR.

If the object of the present enquiry be to ascertain a method by which gold may be made to take the place of silver as the popular metallic money of this country, without displacing silver from its position as the standard and measure of value, it will be worth while to examine the principle on which, owing to the variable price of silver relatively to gold, first one and then the other of the metals came to be preferred as currency in the double coinage of France, and, although both metals are current by law, one only at a time has been able to maintain its place in the circulation.

2. Previous to the recent gold discoveries, the price of standard silver in London was about 60*d* per ounce. But when standard silver is 60*d* an ounce, the value of fine gold to fine silver is as 15·712 to 1. In France, however, the value of fine gold to fine silver, in the coins, under Mint Regulations, is fixed at 15·586* to 1. Thus, while the value of gold to silver was in the market as 15·712 to 1, it was rated in the coinage of France as only 15·586 to 1, and, under such circumstances, it is clear that no one having a debt to pay would tender gold costing 15·712 pieces of silver of the same weight and fineness when he could make the payment with 15·586 of the same pieces. Silver, therefore, came alone to be employed in all monetary transactions, and gold, as a necessary consequence, almost disappeared. This continued till the increased production of gold from the newly-discovered gold fields had the effect of lowering the value of that metal, or, what is the same thing, raising the price of silver. As soon as this had proceeded far enough to make the proportionate value of gold to silver in the market less than the relative value put upon the metals in the coinage, gold came to be preferred as the medium of payment. I am unable to state at what date this turning point was reached, as I have no means of ascertaining the price of silver at various periods after the gold discoveries had occurred, but in 1858, when the substitution of gold for silver in the currency of France was in full progress, the average price of standard silver seems to have been about 61$\frac{3}{4}$*d* per ounce. As the relative value of the two metals was, therefore, at that time 15·271 to 1 in the market, while they continued to be rated at 15·586 to 1 in the coinage, it was clearly not the interest of any one in France to pay in

* The quantity of the metal in the coin is fixed by law as 15·5 to 1, but by Mint Regulations 6 francs are charged for the coinage of a kilogramme of gold into 155 pieces of twenty francs, and 1$\frac{1}{2}$ francs for the coinage of a kilogramme of silver into 40 pieces of five-francs.

perfect safety but this would not, at present, encourage the introduction of sovereigns This, in my opinion, could not be anticipated from any rate lower than Rs. 10 12 0 but, on the other hand, it must be considered that the latter rate might soon prove so much too high as to enforce a reduction, and that alterations in the equivalent cannot but be mischievous As already stated, I am opposed to the contemplated measure, and would leave gold simply as a marketable commodity

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MEMO.—By Colonel C. A. Orr.

If the object of the present enquiry be to ascertain a method by which gold may be made to take the place of silver as the popular metallic money of this country, without displacing silver from its position as the standard and measure of value, it will be worth while to examine the principle on which, owing to the variable price of silver relatively to gold, first one and then the other of the metals came to be preferred as currency in the double coinage of France, and, although both metals are current by law, one only at a time has been able to maintain its place in the circulation.

2. Previous to the recent gold discoveries, the price of standard silver in London was about 60*d.* per ounce. But when standard silver is 60*d.* an ounce, the value of fine gold to fine silver is as 15·712 to 1. In France, however, the value of fine gold to fine silver, in the coins, under Mint Regulations, is fixed at 15·586* to 1. Thus, while the value of gold to silver was in the market as 15·712 to 1, it was rated in the coinage of France as only 15·586 to 1, and, under such circumstances, it is clear that no one having a debt to pay would tender gold costing 15·712 pieces of silver of the same weight and fineness when he could make the payment with 15·586 of the same pieces. Silver, therefore, came alone to be employed in all monetary transactions, and gold, as a necessary consequence, almost disappeared. This continued till the increased production of gold from the newly-discovered gold fields had the effect of lowering the value of that metal, or, what is the same thing, raising the price of silver. As soon as this had proceeded far enough to make the proportionate value of gold to silver in the market less than the relative value put upon the metals in the coinage, gold came to be preferred as the medium of payment. I am unable to state at what date this turning point was reached, as I have no means of ascertaining the price of silver at various periods after the gold discoveries had occurred, but in 1858, when the substitution of gold for silver in the currency of France was in full progress, the average price of standard silver seems to have been about 61¾*d.* per ounce. As the relative value of the two metals was, therefore, at that time 15·271 to 1 in the market, while they continued to be rated at 15·586 to 1 in the coinage, it was clearly not the interest of any one in France to pay in

* The quantity of the metal in the coin is fixed by law as 15·5 to 1, but by Mint Regulations 6 francs are charged for the coinage of a kilogramme of gold into 155 pieces of twenty francs, and 1½ francs for the coinage of a kilogramme of silver into 40 pieces of five-francs.

silver at the market valuation of 15·271, when with the same silver he might purchase a piece of gold which, through the instrumentality of the Mint, he could tender at the superior rate of 15·580. Under these conditions, gold, as a matter of course, became the more advantageous medium of exchange, and silver being no longer the more profitable tender was rapidly displaced from the circulation, and, being disposed of for the purchase of gold, was set free for exportation, leaving gold in its turn as almost the exclusive currency of France.

3. From this it may be inferred that, although gold may be made a legal tender equally with silver, it has no chance of coming into prevailing use in the currency, unless it be valued in the coins at such a rate compared with silver, as shall give the merchant an equal advantage in selecting either metal as the medium of his payments at the price gold may happen to bear to silver, as measured in silver in the market of the day in Europe.

4. Keeping this in view, a gold currency might be introduced into India in three ways:—

I. By legalizing the circulation of sovereigns coined at any of the Mints of London, Sydney, or India, at an equivalent value in rupees calculated according to the relative price of the day of gold and silver in London.

II. By issuing from the Indian Mints a standard gold piece of such weight as shall represent the exact value of ten rupees in silver at the relative price of the precious metals in London.

III. By so modifying the regulations of the Indian Mints regarding seignorage as shall raise the value of the silver rupee as coin to such an extent as shall make ten rupees an exact equivalent in India of the ten rupees standard gold piece of 120 grains without altering the weight or fineness of either coin.

5. If the introduction of the English sovereign into the Indian coinage be considered desirable, its ready circulation may no doubt be secured by placing upon it such a value in rupees as shall make it as advantageous to tender it as its equivalent in silver. That value must however be fixed, not with reference to the selling price of sovereigns in the local markets of India, but strictly in accordance with the relative value of gold and silver in Europe. It is not easy to say what is that relative value, but, taking the price at which standard silver has lately been quoted in London $60\frac{3}{8}d$ per ounce may be assumed to be about its present average price. At that price of silver, fine gold is to

$$\frac{113\cdot001 \times 15\cdot618}{165} = \text{Rs. } 10\cdot696$$

or Rs. 10-11-2.

fine silver as 15 618 to 1, and the exact value of the sovereign containing 113 0001 grains of fine gold is metal for metal, Rs 10-11-2.

6. But, if the English sovereign be adopted as the unit of the gold currency of this country, it will be necessary, I imagine, to extend its coinage to the Indian Mints, and to allow sovereigns coined in any of the Royal Mints, whether of London, Australia, or India, to circulate promiscuously and on equal terms. In that case, as neither at the London nor at the Sydney Mint is any mintage charge imposed on gold, the seignorage one per cent which is now charged for the coinage of gold at the Indian Mints will have to be abolished, and allowance must be made for this in reckoning the value of the sovereign in rupees.

7. As the effect of the seignorage is to make coins of higher value than the metal of which they are composed by a sum equal to the seignorage on their coinage, this, in the case of sovereigns paying no seignorage, must be taken into account in calculating their value in rupees paying two per cent, and the proportionate value of the metals in the coins in India will be changed from 15 618 to 1, to 15 305 to 1, and the equivalent of a sovereign in rupees, as currency in India, will be Rs 10-7-8 If, then, the seignorage of gold be abolished, and that on silver retained, Rs $10\frac{1}{2}$ will be almost exactly the value of a sovereign in India at the present price of silver, and there is no reason to doubt that, if their exchangeable value were fixed at that rate, sovereigns would be largely thrown into circulation, and gold be as readily sent to the Indian Mints for coinage as silver

$$100 \quad 98 \quad 15\,618 \quad 15\,305$$

then

$$\frac{113\,001 \times 15\,305}{165} = 10{\cdot}482 = \text{Rupees } 10\text{-}7\text{-}8$$

8 But if, instead of coining and legalizing the circulation of the English sovereign, it be wished to introduce a standard gold piece of such weight as shall cause it to circulate as the equivalent of ten rupees at the present price of silver in the London market, the object would be attained, were there no seignorage on either metal, by issuing a coin which should contain $\frac{165 \times 10}{15\,618}$ = 105 647 grains of fine gold, and 9 604 grains of alloy, and, therefore, weigh 115 251 grains of standard gold. Taking, however, again into account the differential seignorage that is charged for the coinage of the metals at the mints, namely, one per cent

for gold and two per cent. for silver, the proportionate value of the metals in the coins *as currency* will be altered, and, to make the gold piece an exact equivalent of ten rupees it will be necessary to increase its weight, as above found, to 116·429* grains or to 117·614†, if the seignorage on gold be abolished

* 99 : 98 : : 15·618 : 15·460.

then

$$\frac{165 \times 10}{15{\cdot}460} = 106{\cdot}727 \text{ grains of fine gold.}$$

Alloy 9·702

116·429 grains of standard gold.

† 100 : 98 : : 15·618 : 15·305

$$\text{then } \frac{165 \times 10}{15{\cdot}305} = 107{\cdot}807$$

Alloy 9·8

117·607 grains of standard gold.

9 It remains to consider the third mode in which gold may be made to take its place in the metallic currency of India by an alteration of the Mint Regulations by which seignorage is charged. As the effect of seignorage as I have already said, is to enhance the value of the coins on which it is charged beyond the value of the metal of which they are composed by exactly the amount of that seignorage it is evident that a value may be given *as coin* to the silver of which the rupee is composed more or less in excess of its value as bullion by a sum exactly proportionate to the seignorage. In the coinage of India, as at present, the *quantity* of fine gold to fine silver in the coins is as 15 to 1 but the value of the two metals in the coins, owing to the difference of one per cent. in the rate of seignorage is really as 15·153‡ to 1 By simply abolishing the one per cent charged on the coinage of gold, while retaining the two per cent. charged on silver, these proportions will be at once altered to 15·306§ to 1

‡ 98 : 99 : : 15 : 15·153.

§ 98 : 100 : : 15 : 15·306.

10 But as the proportionate value of the metals in the coins may be increased in the same manner to any extent, without interfering with either their weight or fineness by adding to the charge for the mintage of silver, leaving gold to be coined free the desired proportionate value may be given to the coins by simply raising the seignorage on silver Thus the value of fine gold to fine silver being as 15·618 to 1, and the quantity of the metals in the Indian coins being as 15 to 1, the rate of seignorage to be imposed on silver, to raise the value of that metal in ten rupees to the value of the gold in the ten rupee standard gold piece of 120 grains, will be 3·958 per cent. This would produce precisely

15·618 : 15 : : 100 : 96·042.
then 100 − 96·042 = 3·958.

the same effect as if the ten-rupee gold piece of 120 grains were reduced in weight to 116 429 grains, while the rates of seignorage remained as at present, or to 117 607 grains if gold were coined free of charge.

11. If then, by an alteration of the law, seignorage on gold be abolished, and a charge of 4 per cent instead of 2 per cent be levied on the coinage of silver, quite sufficient encouragement would be given to the bullion importer to send gold as readily as silver to the mint for coinage, and there would be nothing to hinder the gold mohur and its sub-divisions, the ten and five-rupee pieces, circulating freely, and maintaining their position in the currency at their denominational values

12 The conclusion arrived at may be briefly stated —

I That the English sovereign, at the present price of $60\frac{5}{8}d.$ per ounce of standard silver in London, would probably circulate freely if it be made a legal tender at the rate of Rs $10\frac{1}{2}$, (or more correctly Rs 10-7-8), and that, if the seignorage on the coinage of gold be abolished, while that on silver is retained, gold will be sent to the mint for coinage into sovereigns at that rate as readily as silver for coinage into rupees

II That a standard gold piece may be coined at the Indian Mints of such weight as shall represent the exact value of ten rupees in silver at the present price of silver in London

If no seignorage be charged on the coinage of either metal, the weight of that gold piece would be 115 251 grains

If the present rates of seignorage of one per cent on gold and two per cent on silver be maintained, the weight would require to be 116 429 grains, and

If the one per cent on the coinage of gold be abolished, while the two per cent. on silver is retained, the weight would need to be 117 607 grains

III That, as raising the seignorage on the coinage of one metal has practically the same effect in altering the relative value of the coins as currency, as reducing the weight or fineness of the coins of the other metal, the equalization of the value of the Indian standard gold coins with their equivalent in rupees may be effected by abandoning the seignorage on gold and imposing a seignorage of 4 per cent on silver By this means the Indian gold coinage might be made to circulate readily at its denominational value, and it would be no more advantageous to the merchant to import one metal than the other

13 The calculations on which these conclusions rest, are based on the assumption of silver bearing a certain fixed price in the markets of Europe. This we know is not the case, and it follows that no relative value

that may be put on the metals in the Indian coins can have a lasting effect in equalizing their exchangeable value, or of maintaining them in circulation on equal terms. It is perfectly hopeless to accomplish this object while silver has a changeable price relatively to gold, but the metals may be maintained in circulation at par according to their denominational values in the coinage of India, and sufficient encouragement be given to the mintage of gold, if a mintage charge be levied on silver which shall vary with the varying price of that metal

14 As it has been shown in the early part of this memorandum how silver came to be displaced from the position it occupied in the currency of France, it may be added that, if the price of that metal fall only a little more, it will again become so much cheaper a tender of payment in France than gold as to be generally preferred In that case, unless the monetary laws by which the *ratio* of the metals in the double coinage of France are fixed, be altered, nothing is more certain than that gold will leave that country for the purchase of silver, just as silver was exported before for the purchase of gold. Should this happen as in all probability it will, seeing that the tendency of silver is to become cheaper, from causes which it is not necessary to discuss here, the gold set free will be available for the supply of this country without creating any financial disturbance, and will no doubt be largely imported for transmission to the mints, if in the manner above indicated, or in any other, the value of the metals in the Indian coinage be regulated to correspond with their relative value in the great bullion marts of London and Hamburgh at the price of the day

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From C A. LAWSON, Esq , *Secretary to the Chamber of Commerce Madras to the Secretary to the Government of Fort St George dated 5th October* 1868

On behalf of the Chamber of Commerce I have the honor to acknowledge receipt of the Proceedings of the Madras Government in the Financial Department, dated 6th August 1868 No. 367, forwarding letter from the Secretary to the Government of India relating to a gold currency for this country and to give the following replies to the two questions proposed in the 15th paragraph of that letter

It having been found that the sovereign rated at Rs 10 will not be presented at Government treasuries and as in the opinion of the Chamber, the chief advantage to be looked for from its introduction consisted

in having a coin ready to hand and well known in India, they consider the confusion in accounts and the general inconvenience which would be sure to follow the adoption of another rate as its equivalent value to Rs. 10 would far outweigh any considerations that can be adduced in favor of such a change. The Chamber, therefore, are not prepared to recommend that a further attempt should be made to encourage the circulation of British and Australian sovereigns in British India by fixing on another rate than Rs 10 as the equivalent for the sovereign

In reply to the second question, "At what standard value should ten-rupee gold pieces be coined," the Chamber are of opinion that the standard of value as fixed by Act XVII of 1835, which was also approved of by the Currency Commissioners of 1866, is not that which should be adopted. That standard is the averaged equivalent value of the two metals, silver and gold, for a number of years; and, since the date of the Commission of 1866, gold has risen in value and has a tendency to rise still further, which, if a gold currency were introduced into India, would be increased—gradually perhaps, but sensibly—to a degree that would make the recommendation of the Commissioners inoperative, because in that case the market for gold would be enlarged and that for silver curtailed, both causes tending to raise the price of gold as compared with the present standard of value. The Chamber consider that to fix, as has been publicly suggested, on something below the present recognized commercial par of the two metals—say 109 grains of gold and 11 grains of alloy as the standard value of the ten-rupee gold piece, would not only insure a steady influx of gold into India, but also attract to the Mints the vast amount of metal that has accumulated in the country, at the same time making allowance for the rise in the price of gold and facilitating the transition from a silver to a gold standard of value.

As regards the description of gold coins to be introduced into India, the Chamber have no doubt that ten and five-rupee pieces will be found to be the most desirable The latter would not fail to prove of great service in a country like this, where transactions between the natives are mostly for small amounts.

In conclusion, the Chamber would desire to express their decided conviction that, if the Government should decide on coining gold pieces of the above value, they should be made a legal tender throughout the whole of British India from the time of their first introduction.

From the Hon'ble V RAMIENGAR, *Superintendent of Stamps, Madras, to the Chief Secretary to Government, Fort Saint George, dated 9th October* 1868

I have the honor to acknowledge the receipt of the Proceedings of the Madras Government, dated 6th August last, No 867, communicating copy of a letter from the Government of India, calling for opinions on certain points relating to the question of the introduction of a gold currency into India.

2 After referring to the notification of November 1864, issued, declaredly, with the view that "the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated,' and after adverting to the cause which has apparently operated to render this notification inoperative, the Government of India inquire whether "the equivalent of ten rupees offered for the sovereign in 1864 should be revised, and, if so, what exactly the new rate should be" It appears to me that, so long as the sovereign is not declared a legal tender, and does not become a part of the currency of the country, it is impossible to fix the rate of equivalent with the precision which shall answer the intended purpose. I have not the *Price Currents* at hand to refer to but the value of the sovereign as a marketable commodity fluctuates considerably Recently, it has risen high, and the average market price during this year may, I think be taken at Rs 10¼ Supposing the equivalent to be offered by Government was fixed at Rs 10¼, no one would pay half a sovereign into any Government Treasury so long as the market price continued at its present rate, or, indeed, so long as he could get Rs. 10 8 6 for his sovereign in the bazaar, and of course, if none were paid into the treasury, there would be none to get from it. If, on the other hand the market price fell below Rs 10¼ people would be glad to offer at the treasuries any number of sovereigns at that rate, but, once received they would remain there and there would be no way of disposing of them, unless the price rose to par *i e*, Rs. 10¼ or above it. So that, fix what rate we may I think it will not answer so long as the market price varies, which it must in the nature of things and a measure of the limited and partial character initiated by the Notification of November 1864 must, it seems to me, remain nugatory If gold was declared a legal tender, and it became a part of the currency the public would certainly look to, and be influenced by, its superior convenience as a measure of value when realizing dues from the public treasuries or other sources, but where the Government undertakes to

receive sovereigns at a certain fixed rate and issue them at that rate, only "whenever available," and where the coin as a marketable commodity fluctuates in price, it is difficult to see how sovereigns can be received or paid freely from or into the Government Treasuries when the bazaar price deviates either way from the fixed rate

3 The next point on which the Government of India call for opinions is the expediency or otherwise of putting in force section 7 of Act XVII of 1835, and of withdrawing Lord Dalhousie's proclamation of 1852, which prohibited the receipt into the public treasuries of any gold coins on account of any payments due to Government This would have the effect of restoring matters to the state in which they had existed under the Notification of the 13th January 1841, under which gold mohurs, struck in conformity with Act XVII of 1835, were freely received at public treasuries at the rates indicated by the denominations of the pieces, until they had passed certain limits of fineness set forth in the Notification The Government of India further inquire whether, if gold pieces were to be coined now in India under the Act already referred to, the standard value of the fifteen-rupee or ten-rupee pieces as fixed by that enactment, would or would not be perfectly applicable to the present time and to the immediate future with reference to the change in the value of gold since 1835

4 I do not think that the measure here proposed, of cancelling the proclamation of 1852 and of allowing the coinage of gold under Act XVII of 1835, would prove successful in promoting the general circulation of gold coins, any more than the notification of November 1864 has proved effectual in that respect Such a measure would only permit the issue and receipt of certain gold mohurs from and into the public treasuries in payment of dues, and these coins, not being a legal tender or part of the currency, would be as much bullion as before they were coined, and would not be freely received or paid so long as the market value of gold varied from the standard value at which the pieces were coined It would be as futile as it would be difficult to fix a standard value which shall answer under all the varying conditions which affect the price of gold as an article of merchandise.

5 But, even supposing that it were possible to do this, and that the measure was likely to be attended with success, I am not clear that it would be desirable to adopt it Having regard for our intimate relations with England, Australia, Ceylon, and the Mauritius, where the sovereign is in use, and whence such large quantities of it are imported, I do not

think it would ultimately prove a convenience to have any coins for our currency different from the sovereign

6 It will have been seen from what has been stated that, if it is desired to introduce a gold currency into India, I am of opinion that no half measure towards that object will prove effectual. The country has arrived at that stage in which such a currency is absolutely needed. She has certainly outgrown the state to which her present bulky coinage of silver and copper may have been adapted If we are considered fit for a paper currency, which belongs to a still more advanced stage in the progress of improvement, *à fortiori* are we fit for a gold currency Gold coins were a legal tender up to the commencement of the present century of 1835, when they were demonetised by Act XVII of that year, and the introduction of gold into the currency again would be but returning to the state of things which thus existed up to a comparatively recent period. The call for the measure among the native population is almost universal, and the efforts made by Government towards responding to the popular wish would be cordially seconded.

7 The objections to the sudden introduction of a gold currency are that it is likely to derange the commerce and finance of India, and also probably the money markets of Europe, if they were suddenly drawn upon for the large quantity of gold required to carry out such a change. I do not think however it will have this effect, because there is already a free and uninterrupted flow of gold into the country from various channels.

Our large balance of exports is annually paid for in gold and silver bullion.

Our large emigrating population to Ceylon and the Mauritius bring their accumulated savings in gold sovereigns, which are literally more abundant and consequently cheaper in the provinces than in Madras.

There is an enormous quantity of gold in the country in the shape of ornaments and gold bars, and in hoarded sovereigns and these are being yearly added to by a constant influx of the precious metal.

The wealth of the cotton merchants of Cuddapah, Bellary, and Kurnool is locked up in gold bars, which they eagerly buy up from the banks at the presidency and bury under the earth for security

In the southern districts of Tanjore, Madura, and Tinnevelly, the increased wealth of the people, consequent on the high prices of agricultural produce and the increased prosperity of the country, is seen in nothing so much as in heavy gold ornaments

Altogether, the Currency Commissioners compute the amount of gold now in India at one hundred and twenty millions—an amount not far short of the entire produce of the Australian mines since their discovery, and state that this is being added to at the rate of five millions annually.

8. With such a large store of gold in the country, constantly added to by an annual influx, and the whole of which is now excluded from the currency by the Mint Regulations, I do not think there will be any serious disturbance of foreign markets. It is more by depending upon silver alone and banishing gold from the currency that the markets of Europe are disturbed, inasmuch as they have to be periodically swept of silver for transmission to India, which causes violent oscillations in the foreign exchanges.

9. But the change from silver to gold will not be altogether sudden. In the transition from the one to the other, I presume the country will pass through a double standard. At first, as the existing rupees will also form a part of the currency, it will be open to the public to pay existing contracts in silver, the coin in which the contracts were originally made, but, as rupees will not be re-issued from the Mint, and its coinage regulated by the Government as copper now is, a high seignorage duty being put upon it to prevent its being exported or melted down, gold will gradually supersede silver in the currency, and the latter subside into a token coinage, and the change will have been effected without any undue violence to, or interference with, existing contracts.

10 For these reasons, I would declare gold sovereigns and half-sovereigns a legal tender at 10 and 5 rupees, which is their declared official value, and authorise their coinage and issue from our mints at those rates, the coinage of silver being regulated by Government in the same way as copper on the principle of the English currency

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Dated 30th November 1868.

MINUTE—By the HON'BLE A J ARBUTHNOT

In the letter from the Financial Secretary to the Government of India, under date the 30th June last, the attention of the Madras Government was called to the question of introducing a gold currency into India, which is now again engaging the attention of the Governor General in Council, and we were asked to give our opinion and those of any selected gentlemen, who from their experience might be experts in the matter, on the two following questions —

1*st* —Whether the rate of ten rupees, at which, under the notification of November 1864, English and Australian sovereigns are receiv-

able at the public treasuries, should be revised, and if so, what the new rate should be ?

2nd—At what standard value should ten rupee gold pieces be coined, supposing such coinage were resolved upon

2 It was stated in the letter (paragraphs 13 and 14) that at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender, but that it would be open to the Government of Madras, or any of the gentlemen who might be consulted, to advance any special reasons in support of such a declaration, should they seem fit to do so

3 The Financial Secretary's letter was referred to Mr Sim, 2nd Member of the Board of Revenue, to the Mint Master, Colonel Carpendale and to two of the ablest native officials in this presidency, the Honorable V Ramiengar and C Runga Charloo Colonel Orr, the Secretary to Government in the Public Works Department, and who was for some years at the head of the Madras Mint, and is a high authority on currency matters, was subsequently invited to give his opinion on the general question of the introduction of a gold currency

4. We have now before us the replies of the several gentlemen who have been consulted, except that of C Runga Charloo, whose onerous duties at Mysore have, doubtless, put it out of his power to comply with our requisition.

5 It appears to me impossible to read these papers, in connection with the discussions which have already taken place on this subject in former years, without arriving at the following conclusions —

1st—That any tentative measure of the nature of that suggested by the Government of India for promoting the circulation of English and Australian sovereigns in India by receiving them into and paying them out of, the public treasuries at a rate to be fixed in supersession of that laid down in the Notification of November 1864, would be a very unsatisfactory solution of the difficulties which have hitherto prevented the re-introduction of a gold currency into India and would be practically inoperative unless the sovereign were declared to be a legal tender at the rate fixed on and unless such a modification was made in the Mint Regulations as would admit of the seignorage on the coinage of silver being varied from time to time according to the rise or fall in the value of silver in relation to gold.

2nd—That whatever method be adopted for introducing a gold coinage, the imposition of such a varying seignorage on the silver coinage

will be essential, at all events at the commencement, and until gold shall have so far taken the place of silver in the currency as to justify the Government in placing the latter coinage upon the footing of a subsidiary or token coinage, in order that the gold coin may maintain a fixed value in relation to the silver rupee

3*rd* —That it is absolutely necessary that whatever gold coin may be introduced shall be declared to be a legal tender

6 The reasons which render it necessary, in the event of a gold currency being determined on, whether the coin selected be the English and Australian sovereign, or a distinct gold coin nearly an equivalent of 10 rupees at the present relative value of gold and silver, that there shall, for a time at all events, be a varying seignorage on the coinage of silver, are clearly stated in Colonel Orr's memorandum They are briefly these that the value of silver in relation to gold constantly varies, and at present has a tendency to fall, that in order that the relative value of the two coinages may be maintained at a fixed standard, it is necessary, either that the seignorage imposed on one of the coinages shall be altered from time to time to counteract the effect of the changes which take place in the relative value of the two metals, or that the intrinsic value, that is, the weight or fineness of one of the coinages, shall, from time to time, be changed, or that the exchangeable value of one of them shall, from time to time, be altered The last of these three processes is that which is practically involved in the adoption of the first suggestion made in the despatch now under consideration, but it is proposed avowedly as a tentative measure, and there can, I think, be no question, that it would cause much confusion in accounts and great general inconvenience The second may be dismissed with the remark that it would be practically impossible, and there only remains the first, *viz*, the imposition of a varying seignorage on one of the two coinages, which is apparently the only convenient mode of meeting the difficulty arising from the variations in the relative market value of the two metals.

7 In regard to the question of declaring any gold coin that may be introduced a legal tender, it appears to me essential that this should be done, if it be only to counteract in some measure the well-known tendency of the people of this country to depreciate the value of coins of large denominations It is probable that, whatever gold coin might be introduced into the currency without being made a legal tender, in many parts of the country batta would be charged on every such coin, when tendered in payment of a debt Moreover, it is very doubtful

whether any coin not a legal tender, and consequently not a part of the legally current coinage of the country, would command that confidence which would enable it to pass from hand to hand, and which is essential to the effective circulation of any form of currency, whether it be gold, silver, copper, or paper In reference to this point, Colonel Smith observes that, before the Act of 1835 was passed, the 15 and 10 rupee pieces which were then legal tender, though not demandable, circulated freely, and were taken without hesitation, but that lately sovereigns held by the Government of India, although their exchangeable value was superior to 10 rupees could not be got rid of from the public treasury at that rate, and were sent home to England. It was, I think, correctly laid down by Mr Massey in his Minute of the 2nd February 1866, as an axiom which must be accepted, that if a gold currency were to be introduced "nothing short of the recognition of the sovereign or some other denomination of gold coin *as a legal tender* would suffice." The same opinion is expressed by the Madras Chamber of Commerce in their letter of the 5th ultimo, and also by the Bombay Chamber in their letter of the 14th September

8 Subject to the two essential conditions above adverted to *viz*, that a varying seignorage shall be imposed upon silver, and that whatever gold coin may be adopted shall be declared a legal tender, it appears to me that there will be no serious difficulty in introducing a gold currency by one of the following methods —

Either by declaring the English and Australian sovereign and half sovereign to be a legal tender at 10 and 5 rupees respectively, abolishing the seignorage on gold and raising that on silver by such a varying percentage as may from time to time, be requisite so to adjust the relative exchangeable value of the two coinages as to encourage the importation of gold and its delivery at the mints for coinage,

or by coining gold pieces more nearly equivalent to 10 and 5 rupees at the present value of silver, providing at the same time for the imposition of a varying seignorage on the latter coinage.

9 The first of these measures has been recently advocated by three officers of considerable experience in currency questions, Colonel J T Smith formerly Mint Master at Madras and Calcutta successively and Colonels Hyde and Ballard, the present Mint Masters at Calcutta and Bombay It has the great practical convenience of introducing into India the coin which is in use in those countries with which India has its most intimate relations. One objection to it is as Major Chesney remarks in his recent work on Indian polity, that it would cause a rise

in the value of the silver coinage and a consequent fall of prices, and that the holders of the existing silver currency would benefit at the expense of the general community by the amount of the seignorage imposed on the new silver currency. The exchangeable value of the rupee would certainly be raised by the enhancement of the seignorage, and prices would fall in proportion; but the fall, as Colonel Ballard shows, would be very gradual, and would scarcely be appreciable. It would be as nothing in comparison with the rise of prices which has taken place of late years. It would probably be less than that which would be caused by any great extension in the circulation of the paper currency.

10 Another objection which I am aware has been advanced, and which, though not expressly stated, was probably one of the objections in the minds of the Bombay Chamber of Commerce when they designated the artificial methods proposed for raising the value of the rupee by raising the seignorage on the silver coinage as hardly less objectionable than an actual increase to the intrinsic value of the rupee, is based upon an idea that the measure would affect exchanges by raising the rate of exchange in the case of bills drawn in London upon India, and lowering it in the case of those drawn in India upon London According to the latest quotations, the price of silver in London was 60¼*d.*, while the Secretary of State's and mercantile bills were selling for 1*s.* 11⅝*d* per rupee Now the rupee contains silver worth only 1*s* 10⅝*d*, when the price of that metal is 60¼*d*, and it follows that bills on India were selling in London for some four per cent more than their equivalent of bullion. The difference is accounted for in a great measure by assuming that the purchasers of the bills took into consideration the cost of sending out bullion about two per cent, and the seignorage of two per cent now charged at the Indian Mints for the mintage of silver It thus appears that the effect of seignorage on silver, so long as that metal continues to be the measure of value, and so long as the rupee is the money of account, is to enhance the cost of remitting money to this country, and that if the present seignorage on silver of two per cent. were raised to six per cent, which would be necessary in order to admit of the sovereign being brought into circulation at the exchangeable value of Rs 10, the price of bills on India would be raised also by four per cent, or to 2*s* 0⅝*d* per rupee when silver is 60¼*d* per ounce, a serious consideration so long as the balance of trade continues to be in favor of India, if the effect adverted to were likely to be of lengthened or indeed of any duration, but those who advance this objection would seem to have overlooked the fact that, so soon as the sovereign

had taken that place in the currency which the advocates of its introduction desire to obtain for it, it would become the real standard of value, even though the rupee like the franc in France continued to be the money of account. Thus, supposing the sovereign to be a current coin in India at the exchangeable value of 10 rupees, and that there were no seignorage on the coinage of sovereigns a merchant in London having to remit the sum of Rs 10,000 to Madras, would make his remittance not in terms of rupees, but in terms of sovereigns, either by remitting 1,000 sovereigns or bullion of that value, or by obtaining a bill of exchange for that sum, and in the latter case the rate of exchange would be determined mainly by the cost of remitting specie or bullion. The remittance would be made in terms of sovereigns but if the rupee were the money of account, it would be entered in the accounts of the person who received it as a remittance of Rs 10,000, as he could at any moment exchange the 1,000 sovereigns for Rs 10,000 *

11 Another objection which has been advanced, though it is not urged in the papers now before us, and which I may remark would apply with equal force to the introduction of the sovereign into the Indian currency on any terms and still more to the adoption of an international coinage which of late years has been advocated in Europe, is the alleged

* Since the above was written I have seen an article in the *Money Market Review* dated the 24th October last, pages 385 and 386, the following extract from which seems to support the theory which I have here ventured to advance :—

"If the sovereign be declared legal tender at Rs. 10, an arbitrated par of exchange between India and England will be established that will not fluctuate with the rise and fall of silver bullion in the London market, and thereby the intricacies of commercial exchange between the two countries, created by bankers and bullion dealers only for their manifest advantage, will be avoided; for the par of exchange will mainly depend upon freight, insurance and brokerage, which, being once settled, will continue fixed for long periods, at a rate between three and two per cent., or less according as England or Australia may export the sovereign to India.

"The following table shows the net arbitrated par of exchange that will thus be established if the sovereign be made a legal tender at Rs. 10 in India, and, instead of the exchange with India being quoted at the unintelligible rates of so many shillings, pence and eighths per rupee, bills on India could be sold at a discount varying from two to three per cent., which is easily understood by all and could be readily calculated without the aid of cumbersome tables of exchange :—

Charges at per cent.	Arbitrated par of Exchange per Rupee.	Arbitrated par of Exchange at Discount of
2	24·48	1·96
2½	24·60	2·43
3	24·73	2·92

risk of a sudden and large demand for sovereigns, for exportation from England to India, on the occasion of a monetary crisis in the latter country. It is argued that in case of a pressing demand for coin, sovereigns might be exported from England to India in preference to bullion with the view of avoiding the delay which the process of assaying the bullion necessarily involves, and to such an extent as to cause serious inconvenience to the English public The contingency is one which, doubtless, ought to be considered, but it is difficult to suppose that it can have been altogether overlooked by those who have recommended the sovereigns as the standard of value for India, or by those who have advocated the introduction of a universal currency to be adopted by all the nations of the civilized world. It is, I imagine, one of those cases in which the probable and almost certain conveniences of the course recommended more than counterbalance any possible inconveniences that might occasionally arise

12 The only objection to the plan of adopting a distinct gold coin for India, is that it would postpone, for an indefinite period, the extension to India of the convenience of having a gold coinage similar to that which is said to form half the gold coinage of the world, and which is the coinage in use in those countries with which India is most intimately connected in its commercial and political relations

13 The objection to the introduction of the sovereign as a standard of value at any rate other than ten rupees, is the confusion it would cause in accounts This objection is adverted to in the letters from the two Chambers of Commerce, and it appears to be generally shared in by mercantile men Since these papers came before me, a resolution has appeared in the *Gazette of India*, intimating that sovereigns will, until further notice, be received into, and paid out of, the public treasuries at Rs 10-4-0, but at the present price of silver, it is difficult to conceive that this measure will be more successful than that adopted in 1864

14 Reverting to the two questions propounded by the Government of India, I think that in reply to the first it may be safely asserted that Rs 10-8-0 is the lowest rate which at the present price of silver and with the present rate of seignorage, would bring sovereigns into circulation, but it appears to me to be very doubtful whether, even if this rate were adopted, the measure would succeed, unless the coin were declared to be a legal tender

15 In regard to the standard value at which the rupee gold pieces should be coined, supposing such coinage were resolved on, I think that for the reasons stated in Colonel Orr's memorandum, the ten-rupee gold

pieces should be of 120 grains, of which one twelfth should be alloy, such additional seignorage being imposed on the coinage of silver as will encourage the importers of bullion to import gold for coinage

16 On the whole, however, I am disposed to think that to declare the sovereign a legal tender at ten rupees, imposing at the same time such an enhancement of the seignorage on silver as may be requisite to bring the sovereign into circulation at that rate, is the best and most convenient method of introducing a gold coinage that, under present circumstances, can be devised

17 In the foregoing remarks I have not deemed it necessary to enter into any discussion of the question whether a gold currency is really needed to meet the monetary requirements of India. That such a currency is a great desideratum is now admitted almost universally, and this being so, I would observe that the present time, when the price of silver is comparatively low and its tendency is apparently to fall, appears to be a peculiarly favourable time for the introduction of a gold currency, for the comparative cheapness of silver in relation to gold renders it much more easy than it otherwise would be to reduce the silver currency, by means of an enhanced seignorage on all future coinages of silver, to the position of a subsidiary or token currency, a process which is absolutely necessary if gold is to take that place in the currency which appears to be desirable with reference to the increasing wealth of the country

A. J ARBUTHNOT

MINUTE—*By His Excellency the President, dated 7th December* 1868

I experience little difficulty in offering an opinion in connexion with the two ' main questions and the subsidiary question propounded by the Government of India. My views on these specific points coincide with the views of Mr Sim. I differ from him in regard to the general question of the expediency of introducing a gold coinage for India.

2 In my humble judgment it is unadvisable to fix any value at which sovereigns will be received at the public treasuries. It is expedient, I think, that the public revenues and dues should only be received in legal tender The Government ought not to take them in a commodity of fluctuating value It is impossible to fix a rate at which the sovereign can be accepted with certain benefit to Government. The rate will either be too low or too high. In the former case the sovereign will not be tendered, in the latter the Government will lose by accepting it. Since the present queries were sent out by the Government of

India, a practical reply has been given to this one by raising the rate at which the sovereign may be accepted from Rs. 10 to Rs. 10-4-0. I do not think that the change will draw any considerable quantity of sovereigns to this market, or mobilize any considerable portion of those which are lying stagnant in the country. Some animation may be given at particular moments to the circulation of sovereigns at the centres of European trade, that is all. If the Supreme Government earnestly desire to stimulate the importance of sovereigns, and give them currency, I hold that the rate should be fixed at once at Rs 10-8-0, but I would not incur any risk, or violate a principle for such a purpose The only legitimate and reliable method to make gold a useful medium of exchange is by making it a legal tender It appears to me inopportune to nibble at this important question to attack a great interest with small expedients We shall persuade ourselves that we are doing something when we are doing nothing, and this fallacious activity will defer real resolution Another objection to fixing a rate at which sovereigns may be received at Government Treasuries is this, we have two kinds of sovereigns which will certainly bear different values in India until they are made of the same color, or receive the stamp of legal tender Government may indeed accept two commodities of different values at the same price, but Government cannot dispose of them at the same price, and it would be inexpedient to recognize that the Australian sovereign has one value and the English sovereign another

3 In contemplating the coinage of gold ten-rupee pieces I understand that the Government of India do not intend to make them legal tender I am accordingly constrained to affirm that they ought not to be coined at all. The question of the standard value at which they ought to be coined thus falls to the ground To issue ten-rupee pieces without the quality of legal tender would be to make the best innovation in the worst form, and to lame the experiment before you launch it. It would be like cutting the wings of a bird that you wish to fly. Ten-rupee pieces, without the vitality and stability which are conferred by legal tender, would indeed have some advantages over sovereigns, they would sometimes be an exact multiple of the common coin, and would, therefore, be more convenient for vulgar use, and they would be less available for exportation, yet I cannot doubt that the greater part would join the mohurs and pagodas which adorn the persons and enrich the hearths of the Hindoos Even a new gold coinage possessing all the virtues of legal tender would at first be extensively hoarded It would be necessary to saturate the soil before the water would run off But

a timid issue of tentative pieces would never move at all It would be a still born issue, and the failure of this partial experiment would cast discredit on the great experiment which we have at heart. I also entertain a strong repugnance to the coinage of these projected ten rupee pieces, without the quality of legal tender, on the ground that the general decision respecting the character of a legal gold coinage for India would thus be partly anticipated and prejudged A march would thus be stolen on the advocates of the sovereign It may eventually be judged necessary to issue an independent gold coinage for India different from the sovereign in value, but I would only arrive at that conclusion and take that momentous step on the maturest deliberation and in connexion with the restoration of gold to the status of a legal tender If, however, the Government of India, in their superior judgment, should determine to pass a certain amount of gold through the Mint and stamp it in the shape of ten rupee pieces I would give them the standard which would represent the relative value of the precious metals in London at the present date, which I understand to be nearly the same as that which existed in the year 1835 Making due allowance for any seignorage which may be levied on the coinage respectively of gold and silver in India, I see no other basis to go upon. No one can predict what modifications the relative value of the precious metals may experience in consequence of the increasing production of silver The depreciation of gold is certainly arrested and nothing would tend to give it permanent stability more than the adoption of that metal as the legal currency for India

4. In regard to the subsidiary question stated by the Government of India as to whether the prohibition affecting the gold mohur might be withdrawn I think that it might be withdrawn with perfect safety and without the least advantage I am assured that the mohur is currently worth more than Rs. 15 in this presidency It will not be tendered at that price at the Government Treasuries

5 Having thus adverted to the specific queries circulated by the Government of India I do not feel inclined to avail myself of the avenue which they have incidentally opened to the discussion of the general question of a gold coinage for India. Should distinct issues be submitted on that subject to the consideration of this Government by the Government of India, it may become my duty to frame an opinion which, I fear would be the recapitulation in inferior language of arguments which have been stated with conspicuous ability in the discussions of 1864 In my humble judgment all the reasons which were then adduced for the introduction of a

gold coinage are still valid and applicable, though with less pressing and practical cogency But a new motive for action has since arisen in the extensive discoveries of silver and quicksilver which have recently occurred, discoveries which threaten to disturb the value of the existing currency of this country.

NAPIER.

MINUTES—*By His Excellency* SIR WILLIAM MANSFIELD, *dated* 29*th and* 31*st January* 1869

The question put by Mr Chapman to-day was to this effect,—

The Indian gold mohur is now selling at a premium of 5 annas in the market·—

Query—When the Mint turns out the gold pieces, should they be passed to the public at par, *i. e*, at the rate indicated at which Government is prepared to receive them according to the notification, or

Should they be sold to the public for what they will fetch, thus ensuring to the treasury whatever profit may be likely to accrue on their issue?

In answer to this I would say that it appears to me that Government is, on principle, precluded from engaging in banking or exchange operations, to which, in a few words, it may be safely alleged that the taking advantage of the market premium would amount

1*st*—It seems to me most important that there should be no departure from this principle, now that the initiative measures for the introduction of a gold currency or circulation are about to take effect For if we depart from a true currency principle, we at once become involved in all the considerations of profit and loss incidental to trading transactions Whereas the idea of a metallic currency rests on the absence of such considerations, in order that the currency may properly perform the function of the representative of value

2*nd*—The issue and receipt of the sovereign at Rs 10-4 depend on the calculation of its relative value with that of the gold mohur as laid down in the Act of 1835 Consequently, if we sell the gold mohur at a premium because of the preference held by the native community for that coin, while we issue the sovereign according to the notification, we weight the gold mohurs unduly because of a consideration which is apart from its value as reckoned by the gold it contains

When the effect of the new gold coinage is felt, the facts will probably soon cure the practical inconsistency in the money market as

evinced by existing prices, but if they should not do so, the inference will be clear, not that we should charge a premium on the gold mohur, but that there is such a demand for Indian gold pieces as to render the duty urgent of coining them as fast as possible, in order to supply the public want which is so keenly felt.

3rd —It will be recollected that a few weeks ago the same might be said of the sovereign as now of the gold mohur In the then state of exchanges, the sovereign was worth about Rs 10 10 Consequently, if we had then had a supply in the treasury, profit might have been turned by selling them at the market price. But it is now seen that owing to two causes—the effect of the notification firstly, and secondly, the rise in exchange—the sovereigns have been flowing into the treasury at Rs. 10-4, about a tenth of what have been received having been paid out at the same rate, the bazar price of the sovereign being apparently one anna more than the Government rate

When the new gold mohurs have been coined, we can hardly fail to see similar results, *viz*, that the bazar rate will assimilate itself to the Government rate, which has been fixed according to the average value of gold in India, as shown by the market rates of a long series of years, and this notwithstanding that the first issues of the gold mohur may cause profits to those who are sufficiently ready to take them up from the Treasury and Currency Department, and be the first to throw them in the market.

But we are desirous that the gold pieces should be taken up and spread over the country It is most expedient that this should be effected by the flow of the metal according to the public want with as little Government interference as possible. If therefore the money dealers make a profit, at first owing to the great existing dearth of Indian gold coin, it is not a thing to be deprecated, but on the contrary of congratulation

All that we have to think about in this matter is to keep things as free and unencumbered as possible It is desirable if possible, that the Currency Department should hold gold as well as silver, in order that it may be able to meet demands on either metal. But no active measures should be taken to compass this end. We should trust solely to the flow of the metal according to the rates stated in our notification.

It may, and probably will, occur, in certain states of the exchange that more of sovereigns will come in than is desirable.

We then have our remedy in the mofussil treasuries and in the mofussil cities, where the importations of gold at the seaports have no immediate effect, and we can always afford to hold a balance of gold in the treasuries in addition to the proportion allotted to the currency reserve. If, on the other hand, the exchange should so fall as to reduce the value of silver in India, in other words, to place the sovereign and therefore the price of gold in the condition of last spring, the currency and minting operations will come to a stand-still for reasons similar to those causes which led to Sir C. Trevelyan's measure of 1864 becoming in fact a dead letter.

W. R. MANSFIELD.

If the table of the average rate of exchange be consulted, it is found that at the time of the change of policy in 1852, the exchange had ruled high against England for some time.

Gold being the English standard and silver being the Indian one, it appears that the price of gold, as shown in the quotation of the sovereign, fluctuates in the Indian market according to the rise or fall of the exchange.

Consequently, if the rates be in favor of England, as for instance, last year, when six months' bills fetched little more than 1*s* 11*d* to the rupee, the price of the sovereign seems to follow the law just indicated, and to rise in proportion to the rate of exchange being against India.

Thus last year, the quotations of the sovereign stood generally at Calcutta, or, at least, for some months, at Rs 10-10 As the exchange rose in favor of India during the autumn, so the price of the sovereign fell, with the consequence of it thus coming to suit the dealers to sell their sovereigns to the Currency Department at the Government rate

This point, which had already attracted my attention in the previous discussions, and was, besides, dwelt on by Mr. Dickson in one of his recent papers, appears to me to be the positive explanation of the phenomenon noted by the Government of India in 1852, namely, the accumulation of gold in the treasuries The latter circumstance, therefore, was the result of the state of the exchange between India and England—gold not being a legal tender in India—and not of a change in the respective values of the two metals.

A sensible change in the relative value of gold and silver was, in that year, namely 1852, assumed to be a fact both by the public and the Government as a consequence certain to follow on the gold discoveries

But the consequence *did not* so follow, as we are now convinced by the experience of twenty years.

At the same time, although the Government of India may have been wrong in its reasoning in 1852, it is necessary for us to be prepared for such a contingency as that which alarmed the Government in that year, and has since provoked the questions of Colonel Hyde, Master of the Calcutta Mint, and Mr Balfour of the Bombay Bank.

In the first place, then, it may be said that owing to the great increase of trade and the movement of capital towards India, gold is now much more of a necessity than it was twenty years ago *Secondly*, we have means of distributing gold when in the form of coins, which did not exist in 1852 This can, of course, be done without risk or expense by using the railways which were not then constructed. *Thirdly* the Currency Department which was not born in 1852, may now hold a quarter of its metallic reserve in gold *Fourthly*, treasuries may judiciously do something of the same sort, care being taken however to lose no opportunity in satisfying the public in the demand for gold coin in other words, in circulating the gold. *Fifthly*, it may be observed that gold coins will now to a certain extent take the place of ' universal note about which we have heard so much in the discussions on the paper currency but the adoption of which is, in truth, impracticable with regard to the vast distances comprised in the currency area.

Local Treasuries and Currency Commissioners on having gold supplied to them either from the Calcutta Treasury, or in consequence of direct payments in discharge of dues to Government, should ask those who bring their notes for coin, or who demand payments, which they would like to take gold silver, or notes, as the case may be.

When the exchange rises so as to cause the sovereign as represented in bills of exchange to be either at Rs. 10 or below as shown by market rates, it will of course flow to the treasuries at the great commercial ports

It will then be for the Financial Department probably to relieve the market, and to do a good job in remittance by sending sovereigns to England in lieu of bills, as we saw in 1854 and again in 1864-65

The effect of coining gold mohurs on behalf of Government in large quantities will have to be carefully watched. In addition to this, we must look to the results of the notification namely whether gold is generally taken from the treasuries as rapidly as it is poured in. By this I mean the treasuries at large, and not those only of the sea ports

I should think it would be wise for the Currency Department to hold a certain number of sovereigns at Calcutta and Bombay, and not to send them all to the Mints for re-coinage.

In the first place, this would be very convenient for that part of the public which embarks for England, Australia, and China *Secondly*, it will prevent sovereigns from having a fictitious price in Calcutta and Bombay, on account of the demands of travellers at the moment of embarkation *Thirdly*, if there should be a glut of gold, the sovereign is a better form of remittance to England than the gold mohur. *Fourthly*, if all the sovereigns paid into the Currency Department be melted up, the friends of the sovereign may say that it has not had a fair trial in the Indian currency.

The more we consider all the questions involved, the more must we be satisfied that, having retraced the steps taken in 1852, and repaired the error of 1864, we should now go further and correct what was done in 1835; that is to say, that we should have a legal tender of gold with as little delay as possible, according to the terms of value stated in Act XVII of that year

The imaginary difficulties of 1852, which induced the Government to act, and* which were admitted by Government to rest on apprehensions of the future rather than on actual fact, were, as stated by Lord Dalhousie's Government, solely owing to the abrogation of the legal tender of gold some years before.

The legal tender of gold having been established, every difficulty will vanish as respects the Government

Ultimately, by following the English plan, and adding to the seignorage on silver coinage, gold cannot fail to take the solitary place it ought to hold in the currency, and so become the representative of value, as it is in France and the United States, although the denomination used in the statement of the public debt and of private liabilities will still be that of the old silver piece or rupee, according to the practice of those countries

W R MANSFIELD

MINUTE—*By the* HON'BLE J. STRACHEY, *dated 30th January* 1869

In the last paragraph of the despatch to the Secretary of State, dated the 23rd December 1868, on the subject of a gold currency, it was

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* *Vide* the despatch from the Government of India to Court of Directors, dated 2nd July 1852, No. 36, and more especially paragraphs 8 and 9.

stated that I did not concur in the conclusions arrived at by the majority of the Council, and that the reasons for my dissent would be subsequently recorded.

In October last, I objected to the issue of the notification, by which it was declared that sovereigns would be received at the Indian treasuries in payment of sums due to the Government at the rate of Rs. 10-4 each. The Minute which I then wrote was accidentally mislaid, and I now wish again to state the grounds upon which my conclusions were founded, and which led me to disagree with the despatch of the 23rd December to the Secretary of State

2 From Sir Richard Temple's Minute of the 5th June 1868, it appeared that the main object which he had in view was to carry out Sir Charles Trevelyan's idea of making the sovereign a subsidiary part of the Indian currency The notification issued by the Government of India in November 1864 declared that it was expedient 'that the circulation of British and Australian sovereigns in all parts of British India and its dependencies should be encouraged and facilitated," and it was ordered that sovereigns and half sovereigns should be received in all the Indian treasuries as the equivalents of 10 and 5 rupees respectively It was stated by Sir Richard Temple that this notification had remained almost inoperative, because the rate at which the sovereign was valued was too low and he proposed in his Minute of the 5th June 1868 to revise that valuation. The revision was actually made by the notification of the 28th October 1868

3 I objected to the issue of that notification, because it seemed to me clear that it could have no effect in bringing about the end at which the Government avowedly aimed,—the circulation of sovereigns in India as money

If the rate fixed by the Government gives a value to the sovereign above its actual market value in relation to silver sovereigns will be imported and will be paid into the treasuries. But in this event the Government will be unable to re-issue them, and they can never come into circulation.

If, on the other hand, the rate fixed by the Government be too low, no sovereigns will flow into the treasuries, and there will be none to issue

4 If it were possible to fix precisely a rate which would represent the present relative value of the sovereign and rupee, then it might be anticipated that so long as that value remained unaltered, sovereigns

might come into circulation and remain in circulation. But as it is not proposed to make the sovereign a legal tender, it would have only a bullion value; and as theory and experience alike show, this value must constantly fluctuate. Any fluctuation in the value of the sovereign above or below the rate fixed by the Government, exceeding a certain small margin, must, necessarily, lead, on the one hand, to the withdrawal of the coins from circulation, or, on the other hand, to their accumulation in the treasuries

Exactly the same conclusion will apply to all other gold coins, whether they be coined under the law actually in force in India or not; unless they be made a legal tender, and unless at the same time they be so rated in relation to the silver coin as to prevent their being sold as bullion, they cannot remain permanently in circulation. No coin that is not a legal tender can have any other character than that of an article of ordinary merchandise—nor, indeed, even if it be made a legal tender will it lose that character. If the currency consist of coins of two metals, nothing can prevent the eventual disappearance of one of them, unless some system of a subsidiary token coinage, like the silver coinage of England, be adopted.

5. Although the notification of the 28th October 1868 declares the primary object of the Government to be the introduction of the sovereign into the Indian currency, it appears, from Sir Richard Temple's Minute of the 5th June 1868, and from the despatch of the 23rd December to the Secretary of State, that the real intention is to obtain by this means gold for the coinage of new gold pieces under Act XVII of 1835.

6 Even if it be admitted (which I am very far from admitting) that gold can be obtained by such means, and that this is the best way of obtaining it, and that such new gold pieces could at the present time be coined to a large amount without loss to the Government, it seems to me certain, for the reasons already stated, that these coins, not having been declared a legal tender, either could not come into circulation, or could not remain in circulation But if the first condition of making the coins a legal tender were complied with, would it really be possible to keep gold pieces coined under the Indian Act of 1835 in circulation? I believe that this would certainly be impossible, because the second condition that the gold and silver coins must be properly rated in relation to each other, would not be fulfilled.

7 The proposition to coin gold under Act XVII of 1835 was, I believe, first made by His Excellency Sir William Mansfield in his well-known and valuable Minute of March 1864

His Excellency showed that the market value of gold in India, previously to the gold discoveries, had been considerably higher than the value assigned by the Act of 1835 He stated that the value of silver under that Act is 5s 2½d the ounce "Mr Wilson" (His Excellency observed) "estimated the value of silver, and doubtless with correctness, to have been about 4s 11d prior to the gold discoveries At this price the sovereign is worth very nearly Rs. 11; the British gold mohur, struck to represent Rs 15, being on such terms worth more than Rs. 16 Consequently the Indian Act of 1835 declared silver to be worth 3¼d per ounce more than it really was, as interpreted in the price of gold by the public." His Excellency went on to show that the price of silver had subsequently risen. 'Circumstances he said, "have combined to establish the price of silver at about 5s 2d At this present date (March 1864) it is, indeed, higher —it having reached 5s 2¼d, or closely to the price indicated by the Act of 1835, with respect to the value of the British gold mohur of Rs. 15 after allowing for mint charges, * * that is to say, the rupee has come to have nearly the value in gold which was formerly but erroneously attributed to it. This being so we are, perhaps, relieved from a very difficult and responsible duty We are saved from entering into a calculation with an intention of re-adjusting the legal equivalents of gold and silver in India. It appears that we may simply take the basis laid down in the Act of 1835 as we find it, and leave it entirely undisturbed so far as this very important part of the question of introducing the legal tender is concerned." His Excellency added that it might, perhaps be urged that the price of silver was then exceptionally high and that it could not be maintained, and that the value assigned by the Act of 1835 would be found still to exclude gold as it had done formerly His Excellency did not share this apprehension. He thought it probable that the higher prices of silver would be maintained but said that if it should be found after a few years that the rates laid down in the Act were too favorable to silver it would then be for the Administration of the day seriously to entertain the question of re-adjusting the legal equivalents."

A similar recommendation to that made by His Excellency Sir William Mansfield in 1864 was repeated in October 1866 by the Commission appointed to inquire into the operation of Act XIX of 1861, of which His Excellency was President. 'The Commission,' it was stated, would draw attention to the fact that the price of the gold mohur, or Government piece of Rs. 15, as fixed by Act XVII of 1835, is as nearly as possible, the average market rate of the price of coined gold of the

present day. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of 10 and 5 respectively, the 10-rupee pieces having the weight of 120 grains and the 5-rupee pieces 60 grains troy"

8 I have referred at some length to the views of His Excellency Sir William Mansfield, because, in the absence of any distinct statement of the reasons which have led Sir Richard Temple to his present conclusions, I presume that the opinions expressed by His Excellency in 1864, and which were repeated by the Commission of 1866, are those on which the late measures have been based

9 The real question now before us is, whether the rating of the value of gold and silver under Act XVII of 1835 is a proper rating to accept for a new Indian gold coinage which shall have a reasonable prospect of remaining current.

There can be no doubt that gold is, and has been, relatively cheaper in India, as compared with silver, than it is in London The reasons for this fact have been stated by Mr Arbuthnot in his "Notes on Sir Charles Trevelyan's Minute on a Gold Currency for India"* most clearly and exhaustively For facility of reference, I shall quote them at some length —

* Dated Treasury Whitehall, 16th September 1864

"On what ground, then, is it supposed that the general law is inapplicable to India, and in what way are we to account for the undoubted fact that gold is, relatively, cheaper in India, as compared with silver, than in London?

"The apparent anomaly is owing to the exceptional position which India holds, and is easily accounted for

"Silver is the standard and the regulator of prices in India, to the entire exclusion of gold as a measure of value It is so generally in the East Except in the comparatively small communities of Ceylon, Mauritius and Manilla, and doubtfully in Japan, gold hardly enters into the currencies of the vast regions eastward of the Cape of Good Hope and northward of Australia It follows that it is, comparatively, depreciated there when measured by the silver money of those regions. The material of that money, purchased with gold in London, must bear the charges of freight, insurance, interest, and mintage, amounting in India to $5\frac{1}{4}$ per cent (as correctly shown in Mr Dunlop's paper), before it can be brought into circulation in India It is by this silver measure of value, thus enhanced in price, that the cost of the Australian sovereign is estimated in Sir Charles Trevelyan's Minute

"Remove the impediment to the concurrent circulation of gold with silver, and the cause of this difference of value between the two metals in the West and the East will disappear The tendency, at least, must be to an equalisation of the general rate

of the bullion market in both quarters It is, therefore, the price of silver in London and not the price at which sovereigns can be laid down at Calcutta from Australia, as estimated in present currency of India, which should be regarded as the point for consideration in this matter

"And this constitutes the main difficulty in devising any measure for the introduction of a gold currency into India. Experience is wanting for a guide. During the first half of the present century there was little variation in the comparative value of gold and silver The normal price of silver of British standard in London was about 60*d* the ounce. The new discoveries of gold disturbed this relation and the price of silver has of late years been subject to so much fluctuation that it would be difficult now to fix an average for the concurrent circulation of coins of the two metals. But this is not all. Although the ultimate value of gold and silver must, as before observed, be derived from the value of the labor employed in their production, their immediate price is governed by the law of supply and demand to an extent, and sometimes for a prolonged period of time, exceeding that which applies to other commodities. The price of standard silver in London has been mainly influenced of late years by the abnormal requirements for India. When the demand for transmission of silver thither has been great, the price in London has risen; when it has temporarily ceased, it has fallen—on one occasion even to an extent which touched the point at which it would have been profitable to send silver to France. Any measure, therefore, which would lead to the practical employment of gold in preference to silver in the currency of India would cause a cessation in this demand, and lead to a reaction in the upward tendency which has of late prevailed in its price as compared with gold.

10 I think that Mr Arbuthnot has in this passage summed up almost everything of importance that can be said upon the subject. If we introduce a gold currency into India, the relative prices of gold and silver in the Indian markets will become, approximately the same as the prices that obtain in Europe. If the conditions under which the two metals are used in India be assimilated to those under which they are used in Europe the relative value of the two metals in the two quarters of the world cannot remain sensibly different the quantities of the precious metals in Europe both in actual use and from time to time coming into the market are likely to be so much larger than the corresponding quantities in India, that the European standard of relative value will be that to which the Indian values must constantly tend.

It seems therefore, clear that no gold coins could be struck in India with a reasonable expectation that they would remain for any considerable time in circulation, unless their intrinsic value were regulated by the average relative value of gold and silver in Europe.

11 It is stated in paragraph 4 of the late despatch to the Secretary of State that the standard laid down in Act XVII of 1835 for deter

running this relative value "is found to be a true and correct one; it has been for many years, and continues to be fixed by a law which is still in operation"

Again, in paragraph 12 of the despatch, it is said, with regard to the value of Rs 10-4 which has been assigned to the sovereign, that, "intrinsically, it is sufficient;" that "it is as much as could prudently and safely be offered," and that "there is no probability of the revised notification remaining, like the former one, a comparatively dead letter"

Now, if these statements be correct, my own views must be altogether wrong The question at issue is not one of opinion; it is a simple question of fact The question is, whether the relative value assigned to gold and silver in the Act of 1835 is, or is not, correct at the present time, whether it has been correct in the past, and whether there are reasonable grounds for supposing that it will be correct in the future

12 Act XVII of 1835 assumes that the value of gold and silver is as 15 to 1. The value given to the ounce of silver by the Act is 5s $2\frac{3}{10}d$.* The number of grains of fine gold in a 10-rupee gold piece under the Act is 110. The value of a sovereign containing 113 002 grains of fine gold, expressed in relation to the quantity of silver in the rupee, is, according to the Act, Rs 10-4-4.

* By this is meant that assuming 1 oz of standard gold to be equivalent to £3 17-10½, 1 oz of standard silver is, according to the Act, worth one-fifteenth part of that sum, or 62 3d

Now there can be no doubt that shortly before His Excellency Sir William Mansfield wrote his Minute, in March 1864, the market prices of silver actually prevailing in London closely approximated to those assigned by the Act of 1835. In January 1864 the London price was 5s. $2\frac{3}{8}d$ † It is also true that in June 1866, a few months before the submission of the report of the Commission to inquire into the operation of Act XIX of 1861, the price of silver in London was 5s $2\frac{1}{8}d$. If these had been the prices which have commonly prevailed, the conclusion stated in the passage which I have just quoted from the late despatch to the Secretary of State would have been fully justified, but, unfortunately, these high prices of silver have been altogether exceptional

† See Tables at p lvi, Vol II, Report of Commission to inquire into the operation of Act XIX of 1861

13 I invite attention to the tables showing the average prices of silver for a long series of years, published in the Appendix to the Report of the Commission to which I have just referred ‡ These tables show that for the

‡ Vol II, pp lii to lvi

25 years, between 1810 and 1843, the average price of standard silver in London was 4s 11⅛⅜d per ounce, and that the average value of gold to silver was 1 to 15 604

In the 22 years, between 1844 and 1865 the average price of silver was 5s 0¾d, and the value of gold to silver was 1 to 15 358

In no single year since 1820 has the average relative price of silver in London been as high as the price assigned by the Act of 1835 and it will be seen from the tables that it has only been on the most rare occasions that such prices have been occasionally touched. Since the Report of the Commission of 1866 was submitted, the average price of silver has shown a tendency rather to fall than to rise Since July 1866 the price has never gone above 5s 1d During the whole of last year it was about 5s 0½d The recent stoppage of the bills of the Secretary of State on the Government of India appears to have caused an increased demand for silver in London for remittances, and a small rise in the price of silver has taken place the last quotations being 5s 0¾d to 5s 0⅞d

14 The Financial Department has been good enough to furnish me with the following table The figures illustrate I think, in the most forcible manner the facts regarding the prices of silver which I have just been stating —

Price of silver per standard ounce containing 444 grains fine silver.	Relative value of gold to silver (1 oz standard containing 440 grains fine = £3 17 10½)	Number of grains fine gold in 10-rupee piece equal to 1,650 grains fine silver	Equivalent of a sovereign containing 113 grains fine gold, in rupees of 165 grains fine silver.	Equivalent in pence of a rupee containing 165 grains fine silver
s d.			Rs Rs. A. P	d.
5 0	15·71 to 1	105·01	10·76 = 10 12 2	22·30
5 0¼	15·65 „ 1	105 45	10 72 = 10 11 6	22·40
5 0½	15·58 „ 1	105·89	10 67 = 10 10 9	22·48
5 0¾	15 53 „ 1	106·33	10·63 = 10 10 1	22·58
5 1	15 45 1	106·76	10·58 = 10 9 3	22·67
5 1¼	15 39 „ 1	107 20	10·54 = 10 8 6	22·76
5 1½	15·34 „ 1	107·64	10 50 = 10 8 0	22·85
5 1¾	15 27 1	108·07	10·46 = 10 7 4	22·95
5 2	15 21 „ 1	108·51	10·41 = 10 6 7	23·04
5 2¼	15 14 „ 1	108·95	10·37 = 10 5 11	23 12
5 2½	15·08 „ 1	109·39	10·33 = 10 5 3	23 23
5 2¾	15·03 „ 1	109 83	10 29 = 10 4 6	23·32
5 3	14 96 „ 1	110·27	10·25 = 10 4 0	23·41
5 3·90	14·71 „ 1	112	10 06 = 10 1 0	23·76
5 4 575	14·60 „ 1	113	10 = 10 0 0	24

15. If the conclusion already stated be correct, that supposing serious measures to be taken for introducing a gold currency into India, the relative prices of gold and silver will approximate to those which obtain in Europe. I think that the foregoing figures show that it is impossible for the Government to coin gold pieces to a large extent, which shall be a legal tender, at the rates laid down in Act XVII of 1835 Take, for example, the price of silver in London according to the last quotations, 5*s* 0¾*d*. According to this rate, the actual relative value of gold and silver is, in London, 15 52 to 1, according to the Act it is 15 to 1. According to the actual market rate in London, 10 rupees in silver are equivalent to 109 76 grains of gold, according to the Act they are equivalent to 110 grains According to the market rate, a sovereign is worth in London the quantity of silver contained in Rs. 10-10-1, according to the Act it is worth Rs. 10-4-4

Even if it could be admitted that, in consequence of the present depreciation in the value of gold in India, pieces of Rs 10, containing 110 grains of pure gold, can be coined without loss to the Government—and this, as I shall hereafter show, is not the case—it is clear that any increase in the value of gold would lead at once to the demonetisation of the gold pieces. Now, the introduction of a gold coinage must, necessarily, cause an increase in the demand for gold, and a reduction in the demand for silver, and, therefore, a gradual rise in the value of gold and a fall in the value of silver, there would thus be a permanent and an increasing tendency to prevent the gold pieces remaining in circulation at the value which had been placed upon them

16 I am aware that it has been argued that gold might be introduced into India, directly from Australia, at a cheaper rate than from England, and that India might, consequently, hope to obtain its gold at a price which would admit of a relative rating of gold and silver, such as that fixed by Act XVII of 1835. But it must be remembered that the necessary tendency of trade is to seek for the largest possible profits, and that the reduction of price which would be made by the owner of Australian gold would never go beyond the amount which would just suffice to underbid the London seller in the Indian market It would, therefore, still be true that the prices of Europe would regulate those of India, and that there would be a constant tendency towards an assimilation of the relative values of gold and silver in India and in Europe, although possibly gold might be, to some small extent, cheaper in India.

17 I must now refer to the question of the economic possibility of coining gold pieces under Act XVII of 1835 from gold obtained under the operation of the notification of October last

That notification offers Rs 10-4 for a sovereign The current market value of the sovereign is quoted at Rs 10-4 to Rs. 10 6 I understand that, as a fact, sovereigns are not procurable at Rs 10-4, and that the number received, until now has been inconsiderable

Again, the present quotation of bar gold, 23 carats fine, is Rs 15 8 per tolah. The equivalent cost of a full weight sovereign would be Rs. 10 15, so that the bar gold would be about 1 per cent cheaper than the sovereign But in fact, the sovereigns received by the Government will not be full weight, and I am informed that 122½ grains, which is the minimum legal weight, must be taken to represent the average sovereign received From this, again must be deducted the loss on the first melting of the sovereigns, which is about ¼th per cent making a total loss by deficient weight of 1 per cent so that there would be a total relative loss on the coining of gold obtained from the sovereigns as compared to bar gold of about 2 per cent.

The calculation of the actual cost of coining new gold pieces shows that, including the minting charge, which is about 1 per cent there will be an absolute loss of 1 42 per cent. on the conversion of sovereigns at 122 5 grains into gold mohurs of Rs. 15 at 180 grains.

On the whole it is plain that the Government cannot coin gold pieces under Act XVII of 1835 from sovereigns received under the notification of October except at a cost to the State of 1½ per cent. and inasmuch as such gold pieces would necessarily, be withdrawn from circulation immediately after their issue there would be a constantly recurring and entirely fruitless drain on the treasury in attempting to carry out the proposed measures. My authority for the figures given in this paragraph is the highest that could be quoted—that of Colonel Hyde, the Mint Master in Calcutta.

18 A few words may be said in regard to the quotations of the prices of the various sorts of gold in the Indian markets. A comparison of these one with another is sufficient to prove that they give but an indifferent standard for estimating the true value of gold. The price of pure gold during the last month at Calcutta, determined by the price of English sovereigns, Australian sovereigns bar gold, and gold mohurs has varied as much as 2½ per cent. and this plainly shows that the quo-

tations refer to the sums to be paid for certain coins or descriptions of gold, and do not supply what may properly be designated a correct market value of gold bullion. This is another proof, if proof be needed, of the impossibility of regarding the present market price of gold as a test of its ultimate value in relation to silver, were a gold currency established.

19 It is on these grounds that I object to the notification of October last, and on which I doubt the possibility of applying with any useful effect the provisions of Act XVII of 1835 to the coinage of gold I believe that Act, so far as it declares the relative value of gold and silver, to be altogether obsolete I think that the late measures must be inoperative for any useful purpose I do not believe that they can, in any way, promote the object of establishing a gold currency in India, and I fear that their practical effect can only be to cause delay and to prevent the accomplishment of the objects which are aimed at

20 There is one other point connected with this part of the subject that it is now necessary to notice In the despatch of the 23rd December 1868 to the Secretary of State, stress is laid on the fact that the coinage of gold pieces under the Act of 1835 has been for many years actually going on It is stated that the "coinage of these pieces has been going on to considerable amounts year by year, and is still proceeding," and "that the quantity of these coins taken by the public affords proof of their undiminished usefulness and popularity * * It is thus plain that these pieces may be received at the treasuries without loss to the State, and with much convenience to the people Notwithstanding the disadvantage of not being receivable at the treasuries, these pieces have, during the period which has elapsed since 1852, been coined at the Calcutta Mint to the value of upwards of one million sterling"

I must express my inability to understand how these views can have been entertained It is certainly true that gold coins continue to be struck at the Indian Mints, but it is well known that those coins never come into circulation In one sense it is true that the fact that the coins are struck is a proof that they are useful But this is a very partial statement of the facts The gold pieces thus coined have notoriously had a mere bullion value, and almost the sole practical effect of turning the gold into coin has been to give to the gold a certificate of weight and quality There is no gold coin now current in India, and the gold piece of the nominal value of Rs 15, coined under Act XVII of 1835, varies in actual market value from about Rs 15-4 to Rs 16 I have

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just ascertained that, at the present time, the average price in Calcutta is about Rs 15 5 The possibility of coining, under the Act of 1835, gold pieces which shall pass current at their nominal value in the face of these facts appears to me to be altogether out of the question.

21 Although it is not my duty to attempt to initiate measures which fall within the province of the Financial Department of the Government I think that I may properly take this opportunity of stating briefly the opinions which I myself hold in regard to the steps which ought to be taken to bring about the introduction into India of a gold currency I shall assume that this object is, in itself, desirable, and I do not propose to discuss that part of the question

22 For the reasons which I have already stated, I assume that no gold coin can now be struck with a reasonable expectation that it will be retained in circulation unless two conditions are fulfilled firstly the gold coin must be a legal tender and secondly, its intrinsic value must be regulated by the average relative value which gold bears to silver in the markets of Europe

It would be I believe very unwise to commence the coinage of gold with the intention of regulating from time to time the intrinsic value of the gold piece according to the varying value of gold in the Indian market. To do this would involve the necessity of gradually reducing the weight of the gold coin as its value rose with its enlarged use, and the effect of this on the character of the coinage would be extremely objectionable We ought to coin no gold pieces to form a portion of our currency unless we can reasonably expect that they will remain in circulation for a considerable time say for at least 10 or 15 years.

23 The result of coining gold pieces in India, the value of which was regulated by the present average relative value of gold to silver in Europe would apparently be as follows Assuming this relative value to be 15 45 to 1, and the value placed on silver to be 5*s* 1*d* per ounce, our 10 rupee gold piece would contain 106 76 grains of fine gold. I give these figures only to show, approximately, the values which, I believe, ought to be assumed for gold and silver The exact figures to be adopted would of course require careful consideration.

If we were now to coin gold pieces of this description we should in consequence of the present depreciation of the value of gold in India be coining pieces the nominal value of which would be in excess of their actual intrinsic value Such coins could obviously not come into use

unless they were made legal tender; and if they were made a legal tender, we should have created a token gold currency.

I believe that the proper course to adopt is to coin such pieces, making them, so far as the public is concerned, a legal tender only up to a certain limited amount, say Rs. 200, while they would be received by the Government without any such limit in payments due to itself. The latter condition would make it impossible for the Government to force into circulation an amount of gold in excess of the real wants of the public, and would prevent the Government from profiting by the issue of a depreciated coinage.

If the Government were not obliged to receive the gold coins without limitation, and there were any over-issue, the result would be that gold would accumulate in the hands of traders and bankers, who would be forced to receive the gold in small payments made to them, but might be unable to discharge their own debts with it, in consequence of gold being a legal tender to a limited amount only. The condition that has been proposed would give security against anything of this kind happening The power of the Government to issue gold being thus limited, all gold in excess of the wants of the community would flow back into the Government treasuries, where it would accumulate Thus, the actual quantity of gold remaining in circulation might be expected to be just sufficient to supply the wants of the public

When, by the gradually increasing employment of gold in the currency, and the consequent increase of demand, the market value of gold had risen, as I have already said it must do under such circumstances, and an equalisation of the relative values of gold and silver in Europe and in India had been established, the time would have arrived for declaring gold to be the exclusive standard, and for placing the silver currency in the subsidiary position which was formerly assigned to the gold. The process of change in the currency would go on without disturbance of values, and the final alteration of the standard might be made without shock

The process now proposed with respect to the coinage of Indian gold pieces is identically that which has been followed in respect to the subsidiary token silver coinage by the European powers, which have adopted the franc monetary unit under the Convention of the 23rd December 1865, and the gold token currency of India would hold an analogous position to the silver token currency of England The Gov-

ernment would exclusively regulate the coinage of gold, and the Mints would be open to the public, as at present, for the coinage of silver

24 Before concluding this Minute, I wish to say a few words regarding what I may call the proposals of the Indian Mint Masters on the subject of a gold coinage. Colonel Ballard and Colonel Smith have proposed to put a heavy seignorage charge on the coinage of silver, whereby they expect that the inducements to import silver for coinage will be diminished, and a corresponding advantage given to the import and coining of gold. By this means the value of the rupee would be increased to such an amount as would make it equivalent to the tenth part of the pound sterling, and the English sovereign could thus, it is said, be made a portion of the Indian currency

It may be admitted that the results thus contemplated could be obtained by the means which have been suggested, though I doubt whether the seignorage named by Colonel Ballard would be sufficient, for I consider that he has under rated the value of gold.

This proposal not only provides for the introduction into India of a gold currency but at the same time adopts the English pound sterling as the new unit of value to suit which the value of the rupee is to be altered.

25 For my own part I consider that the present time is peculiarly inappropriate for proposals having in view such a change in the Indian monetary standard as shall assimilate it to the pound sterling In the discussions which have lately been going on regarding an international coinage I believe that no authority of any considerable weight has seriously looked to the adoption of the pound sterling as a practical means of obtaining a common unit.

If a gold coinage is now to be introduced into India I think that there can be no doubt that it should be based on the rupee unit.

26 The essence of the Mint Master's scheme is that a gold currency shall be forced upon India by an artificial contraction of the silver currency Having created a dearth of silver money it is hoped that the country will take to the use of gold. I cannot believe that such a proposal could ever be seriously entertained.

The artificial enhancement of the cost of silver money and the necessary simultaneous restriction of the circulation would be followed by an increase in the value of the silver rupee and a corresponding fall in prices Silver money is the money used in the most important trans

actions of the people of India, and it would, evidently, require a long time to bring about such a change as the substitution of gold for silver. When we consider what serious mercantile disturbances and danger has been caused in late years by the simple demand for an increased supply of coin to meet the requirements of the internal trade of the country under peculiar circumstances, it seems to me that it would be extreme infatuation for the Government to adopt any measure which deliberately aimed at the contraction of that portion of the circulating medium which is most required for the purposes of the commerce of the country.

Nor is this the sole, or perhaps the most serious, objection to these proposals Their adoption would cause a general fall in prices, which would especially affect the great producing classes, and might lead to results of a disastrous character.

27 I have, perhaps, referred to these proposals at greater length than may seem necessary But I have done so because I think it extremely important that whatever measures be adopted for the introduction of a gold currency should be so taken as not to disturb the standard of value I believe that everything which is required for bringing a gold coinage into use may be accomplished without any such result, and I deprecate attempts to bring about an alteration in the relative values of the precious metals by restrictive measures

While I admit that the late proposals of Sir Richard Temple are not open to this reproach, they are, in my opinion, seriously objectionable, because they fail to recognise the relation of value which actually exists

28 I request that this Minute may be forwarded to the Secretary of State, in continuation of the despatch of the 23rd December 1868

JOHN STRACHEY

MINUTE—By His Excellency SIR WILLIAM MANSFIELD,—*dated 9th February* 1869

Having, at the instance of the late Governor General, Sir John Lawrence, been much consulted by Sir Richard Temple before he wrote his Gold Currency Minute of the 5th of June 1868, which is the basis of the arrangements lately made, and pointed allusion having been directed towards my opinions by the Hon'ble Mr Strachey in his Minute of the 30th January 1869, it seems incumbent on me to offer some observations in answer to the latter

In the first place, it may be observed that Mr Strachey seems to have misappreciated the character of the measures described in the de-

spatch to the Secretary of State, No 333, dated 23rd December 1868 He would appear to consider those measures final. They are, on the contrary, avowedly of an* experimental character, and devised for the purpose of obtaining experience with regard to the actual relative values of gold and silver, before the Financial Department can be in a position authoritatively to recommend a law embodying the legal tender of gold.

We need only refer to Mr Strachey's Minute to be aware of the uncertainty prevailing on this point according to the different views and arguments of various authorities.

It may be as well to recapitulate the artificial difficulties created on several occasions since 1835 with regard to gold Thus, prior to that year, gold was apparently in India, in practice, a legal tender But the Act (XVII of 1835) whilst declaring certain relative values between the two metals, gold and silver, deprived gold of the property of a legal tender

In 1841, although gold still remained without the property of legal tender, Government announced itself to be willing to receive Indian gold coins at the treasuries according to the values declared in Act XVII.

In 1852, influenced by the facts of a trifling accumulation of gold in the treasuries, and the panic which was felt throughout the civilised world on account of the then recent gold discoveries —a panic which in the measures of government affected Belgium and Holland, as it did the administration of India —the privilege granted in 1841 of receiving Indian gold coins at the treasury according to the values stated in Act XVII was withdrawn In the course of the years 1863 and 1864 an urgent demand for a gold currency again arose in India, and the matter was much discussed.

Actuated by theories, the soundness of which may be disputed, Sir Charles Trevelyan the Financial Member of that day, induced the Government of India to commit what is now believed by every one to have been an error, namely, to make the attempt to introduce the British sovereign into circulation in India at the rate of Rs 10, which is below its value.

Sir Charles Trevelyan, apparently omitted to see that when he led the Government of India to adopt his advice he was declaring gold to

* See paragraph 19 of despatch.

have, in practice, a less value than that assigned to it by the only law we have with regard to a metallic currency, *viz.*, Act XVII of 1835, as well as by average market rates

As was foreseen, the action taken by the Government of India in 1864 remained without results, for the very simple reason that the sovereign, according to the weight of gold contained in it, is of more value than Rs. 10.

After this short detail, it is evident that the matter of the circulation of gold in the form of coin, whether Indian or British, was in such a tangled state, that before any step could be taken towards legal tender, it was necessary to unravel the complications, and to resort to the experience of facts with regard to the positive relative values of the two metals.

Accordingly, when I was consulted in the spring of last year, it appeared to me that there was but one thing to do, *viz.*, to assume, tentatively, that Act XVII did generally represent the relative values, and, therefore, to repair the first omission of Sir Charles Trevelyan in his consideration of the sovereign

The conclusion then was, that if the sovereign was to have a declared value, that value should be about that which is exhibited in Act XVII with respect to the Indian pieces. As a matter of fact, the declared value is slightly less

This course was an eminently prudent one, because, although declaring the value of the sovereign to be higher than that stated by Sir Charles Trevelyan, it is still below the value given as the average since 1835 This average stands at 10 rupees 7 annas and 10 pie for the thirty years from 1835 to 1864 inclusive, notwithstanding that, as shown by the various mercantile authorities who have been consulted, the sovereign can be generally laid down in India at rates varying from 10 rupees 3 annas to 10 rupees 5 annas. The table* of averages from which this is taken is given in the Appendix to this Minute It is curious to note that if the average of the price of sovereigns be struck from the year 1835 to 1864, it is, as stated, 10 rupees 7 annas 10 pie. But if we take the average from the year 1850 to 1864 inclusive, it stands at

* This return was rendered necessary in 1864, in order to meet Sir Charles Trevelyan's proposal to reduce the price of gold arbitrarily in India, while now, oddly enough, it comes into play to prevent a like reduction in that of silver in the same country, as suggested by Mr Strachey

10 rupees 3 annas 9 pie It will, I think, be found, with regard to these facts, that, whatever may be the price of silver in England, Act XVII of 1835 does, at all events now, approximately represent the relative values of gold and silver, if we can divest them of other conditions of trade, as shown by the rates of the exchanges

In practice however, the professional banker assures us that this is very difficult.

Thus, it happens that at certain states of the exchange the rupee sinks to 1*s* 9*d* in value, whereas at others it has been known to rise to 2*s* 3*d*,—it being a matter of fact that the price of the sovereign, as shown in exchange, has been liable to vary as much as 25 per cent., according to the balance of trade being for or against India.

This variation however, would not seem to rest on the value of gold as a commodity but on the fact that as England has a gold standard and India a silver one the vicissitudes of trade between the two countries come to be stated in a form involving mention of the two metals. But precisely the same change in the value of the rupee as regards operations of foreign exchange would take place if England had a silver instead of a gold standard. The statement would however, then be made in other terms, *viz* with reference to the shilling only or whatever coin might denominate the public debt in England.

It appears to me that I need not enter further into this part of the subject, beyond saying that we must be careful not to confuse the results of exchange with the price of gold.

The business which lies before us is to ascertain by experience, so far as may be possible whether or not Act XVII the only currency law we have, does, approximately, represent the value of gold and silver respectively or if it requires alteration

I do not know that any other means lie open to the Financial Department for obtaining the necessary experience in the want of which, as stated by Mr Arbuthnot, is found the whole difficulty of the question before us than in pursuing the course which has been lately adopted by the Government of India.

This course being eminently tentative and experimental for the purpose of resolving the point of relative value, it appears to me to be unnecessary to follow my hon'ble colleague in his argument in which he shows, with much ingenuity that the price of the sovereign stated in

the notification recently issued, which, as said before, follows Act XVII of 1835, has been fixed too low with regard to the facts of value presented by silver and gold in the English market

It remains only to observe that the gold merchants (see the evidence of Messrs Claude Brown and Dunlop in the papers relating to a gold currency) take a different view, and that they consider they can import sovereigns, at an advantage to themselves, at rates varying from Rs 10-3 to Rs 10-5 Thus, Mr Claude Brown* stated that he could lay down Australian sovereigns in Calcutta at Rs 10-2-11. Mr Dunlop comes to the conclusion that British sovereigns can be laid down at Calcutta at Rs 10-4-10, but it was ascertained in 1863 that the actual cost of sovereigns sent by the Oriental Bank to India was Rs 10-3-4 But very recently a communication was received from Mr Christian, a Broker in Bombay, in which he affirmed that sovereigns could be laid down at that place at about Rs 10-3

I therefore submit that the facts, as we know them in practice, are generally against the Hon'ble Mr Strachey's position, that the Act of 1835 does not, approximately, represent the relative values of the two metals in India

But, under the circumstances stated in the early paragraphs of this Minute, I, for one, have been most unwilling to proceed arbitrarily or summarily, and I am led to concur in the opinion of Mr Arbuthnot,

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* I think it right to add in a note Mr Claude Brown's own words, it being remembered that he is a merchant of much eminence and ability Extract from a letter to Sir Charles Trevelyan, dated May 28th, 1864 —"We may fairly assume that the average selling price of gold over a series of years in this market is an index to the rate at which, with reference to the state of the exchanges, it can profitably be laid down here, and that if the prices ruling afforded anything more than a moderate profit, the effect would be seen in a great addition to the supply and a general reduction of value to a level corresponding to that ruling in the other markets of the world

"I have taken the average of our own sales of Australian gold in the years 1861 and 1863, and find it to be Rs 14-14-3 per sicca mohur of 22 carat fine If we include the first four months of this year, during which the value was exceptionally affected by the monetary crisis, the average is reduced to Rs 14-13-9½ on total sales of Rs 17,02,708

"To check this result, I have taken the average of the quotations during the three years from our monthly circular, and find it to be Rs 14 13-4, so that, I think, we may fairly conclude that the value of gold of standard quality has during the past three years been, as nearly as may be, Rs 14-14 per sicca mohur

"At this price, the 5 dwts 3¼ grains which an English sovereign contains will be worth Rs 10-2-11, and when to this is added seignorage at the rate of 1 per cent, the cost of the coin will be Rs 10 4 6"

that we require experience in order to determine the inconsistency which appears to rule in the values of the metals, as shown in the European and Indian markets, if such inconsistency exists, which I greatly doubt, for reasons which will presently be shown

My own view has generally inclined to the opinion, that, on the whole, the value of gold might possibly, rise in India. That opinion was expressed in 1864, and I have as yet no reason to depart from it. Nevertheless, there is no other conceivable criterion for our immediate and present guidance than the facts of value as accepted by the gold merchants.

It is not irrelevant to observe, that, while Mr Strachey finds fault with the rate which, according to his views, is below the real value of gold, the contrary has been suggested, both in Bombay and Calcutta, *viz* that, owing to the want of a legal tender, the treasuries might come to be encumbered with gold because the public would be unwilling in certain states of the exchange to take the sovereigns from the treasuries at the rate stated in the notification *viz*, Rs 10-4 Very recently I was consulted on the practical value of the objection thus taken and as to the measures which might be necessary in consequence.

Mr Strachey's Minute on the one hand, and the questions put by Mr Balfour, of the Bombay Bank on the other, are, I think, not bad evidence that the Government has struck the proper mean by which to obtain the experience required, before proceeding to the step of declaring a legal tender of gold

It is to me a matter of regret that the question of a gold currency for India was encumbered by the interpolation of the English sovereign in 1864 which is coined for a different system in another country The advantage of circulating the sovereign in India except as an auxiliary to an Indian coin has never made itself apparent to me. Nevertheless, the sovereign has many friends, and owing to the step taken by Sir Charles Trevelyan, it cannot now be summarily banished, until its incompatibility with Indian wants has been proved by experience

To have given it a higher value for receipt and issue at the Government treasuries than Rs. 10-4, without the safeguard of legal tender to compel its issue would doubtless, at times have caused very considerable difficulties to the treasuries. For they would have been made the recipients of sovereigns for the furtherance of mercantile speculation, and the sovereigns would then have often remained as a dead weight in the

treasuries, because of the high Government value attributed to them. But further, to have given them a higher value, would have been to reiterate Sir Charles Trevelyan's mistake, and to attribute to coined gold in India other official rates than are shown by the only metallic currency law we possess.

It will be understood, after the foregoing statement, that I am unable to comprehend Mr Strachey when he says that Act XVII of 1835 is entirely obsolete, so far as it declares the relative value of gold and silver I think I have shown that the framers of that Act have very fairly anticipated the proximate relative values of the present day.

With reference to the late measures being inoperative for any useful purpose, as declared by Mr Strachey, he will surely admit that if those measures lead us to the facts we want, with respect to the truth or otherwise of the values stated in Act XVII, those measures will not have been altogether devoid of utility

For if the sovereigns come and go at the notified rates, it will be apparent that the Government notification has properly determined their value. If they accumulate in the treasuries, it will follow that they are too dear in price If, thirdly, they are not paid into the treasuries, and the late measures turn out, as supposed by Mr. Strachey, to be simply without practical effect, we shall be satisfied that the price of gold, as determined by Act XVII of 1835, is not high enough

With regard to paragraph 17 of Mr Strachey's Minute, it is to be noted that the notification of October has not been without some result Thus, I am informed that in the month of January about 80,000 sovereigns were paid into the treasury at Calcutta, about a tenth of that sum having been withdrawn by the public.

Assuming Mr Strachey's calculations about the prices of different kinds of gold to be correct, the fact of the sovereign being 1 per cent dearer than bar gold is not surprising when its quality of money and the demand for coined gold, whether in India or for travellers leaving the ports of embarkation, are fairly considered

According to the instructions lately given in the Financial Department, the sovereigns paid into the treasury will retain their present form,

if the public should wish to take them If there be an accumulation on the other hand, a proportion will be thrown off in Indian coins According to our present means of information, the Indian coins appear to carry a premium in the market, owing to local circumstances, which is not warranted by their intrinsic value but is, probably, to be ascribed to the dearth of Indian coins

These points have been lately very carefully considered by Sir Richard Temple Mr Chapman the Financial Secretary and myself. The instructions subsequently issued for giving practical effect to the notification in certain details on which Colonel Hyde the Master of the Mint required information account satisfactorily, I believe, for any doubts which might arise

As yet Government has not sanctioned the purchase of bar gold for the purposes of coinage This operation I believe to be desirable. There is only one objection that I am aware of, that being that Colonel Hyde s machinery is so deficient that he is positively not in a position to comply with all the obligations imposed on him by law *vis* of coining gold according to certain denominations of coin as required by Act XVII.

This fact has a peculiar bearing on Mr Strachey's argument for it is true that much loss of labor takes place in the coinage of gold at Calcutta owing to imperfect machinery as lately explained by Colonel Hyde. This imperfection is now in the course of being repaired, but many months must elapse before the deficiencies can be set right by supplies from England.

Another item of the alleged loss is, I think to be found in Colonel Hyde s method of computation. Now it is true that the minimum legal weight of a sovereign is 122¼ grains. Colonel Hyde makes his computation on the basis that all the sovereigns presented are of minimum legal weight. This method may be convenient for account purposes for all I know to the contrary but I think it is plain on the surface that such a mode of computation must be inconsistent with fact. Thus I should imagine that the bales of sovereigns which come in large remittances from England and Australia, and are probably often coined for the purpose are much more likely to be full weight than otherwise. At least, considering that sovereigns have but little circulation in India, we may take it for granted that if they are presented in large quantities at the treasury at least half of them will be full weight. Thirdly, I under

stand 1 per cent of Colonel Hyde's computation to be imaginary or nearly so—that is to say, that it consists of the 1 per cent of seignorage which is charged to the public for the coinage of gold bullion.

For it is clear that if Government occasionally send bullion to the Mint for coinage, it is little else than a matter of account whether the seignorage be charged or not It is curious, when investigating this matter, to find that the re-coinage of sovereigns is slightly cheaper than the coinage of bar gold, because, in the former, mixture with alloy has already taken place, which has to be done with the latter before it is fit for manufacture In short, the sovereigns supply their own alloy

On the whole, I believe it may be said with accuracy, that, whatever real loss may take place in the re-coinage, provided the machinery be effective, it is so trifling as to be almost inappreciable At least such was the result left on my mind after a careful enquiry into these points recently held by Sir Richard Temple and myself with the Master of the Mint

I think a further argument might be maintained in favor of showing that sovereigns received at Rs 10-4 would, when re-coined according to the rates of Act XVII, show an actual profit, sufficient to cover the possible loss on light-weight sovereigns and the expense of manufacture For this I would refer to the facts stated by Mr Claude Brown, as set out above

I am unable to agree with my hon'ble colleague with regard to the inexpediency of producing Indian gold coins at the Mint

In the first place, to produce these Indian gold coins is strictly according to law and is a boon to the public Secondly, it will be in his recollection that, till very recently, there was a misapprehension about the Mint operations It was believed that the public had entirely ceased to bring gold for coinage If I recollect rightly, the alleged cessation was one of Mr Strachey's reasons, in the course of conversation, for declaring Act XVII to be obsolete as affecting gold

Enquiry, however, proved that the notion of cessation was incorrect, and that, notwithstanding the imperfection of the Mint, the fact of gold not being a legal tender, and the further one of Indian gold coins being in no manner receivable at the treasuries, the public, nevertheless, does insist on the right conceded according to Act XVII, *viz*, to demand Indian gold coins in exchange for its bullion,—upwards of a million having

been thus coined since 1852, the date of Government declining to take those coins in payment of Government dues

Knowing, as we do, besides, that the native mints in the independent States turn off a large quantity of gold coins I confess that, to me this fact has a significance more important than I can describe as showing how the Government of this country has, hitherto neglected its duty in furthering the advancement of a gold currency or at least, in actively supplying a gold coinage.

For a gold currency it is indispensable that not only gold should be in the country as we know it to be but that it should also exist in the form of coins

By the measure of 1852, the Government did what it could to diminish the demands for such coins, and, therefore, to lessen the operations of the Mint Notwithstanding this, however we see that the thirst for Indian gold coins has still prevailed and that, owing to the dearth of them these very coins bear a fictitious value in the market.

I am therefore, clearly of opinion, that while giving what may be called fair play to the sovereign, we should not refrain from throwing off the Indian coins as sanctioned by Act XVII

In short I believe that if we would have a legal gold currency hereafter we should supply the country with gold coins at present. In any case this must be a matter of time but, I think it is incontrovertibly shown that we shall never extricate the currency from the dilemma in which it is placed—a dilemma totally opposed to the wishes of all the commercial classes in India—until we afford the means of a gold currency by adding to the Indian coins now in circulation The legal tender must then follow

There should be no attempt at regulating the value of gold by further notifications unless Government be prepared to concede the legal tender We shall be in a position to do this so soon as we are satisfied, whether or not the statements given by Act XVII do fairly represent the relative values. Till the mistake of 1864 was repaired it was quite impossible to make an experiment, or even hazard a guess, in these matters.

What I object to in Mr Strachey's views is this, that, because we are in uncertainty now therefore we are to take no practical step towards our extrication from it This would be in fact, to abandon the results of all the labor and investigation of the last five years and finally to deny a legal gold currency to the commerce and industry of India for which they have so long entreated in vain

I concur in my hon'ble colleague's warning against the artificial enhancement of silver I would venture to say, that there has been no more zealous supporter than myself of the argument, that it is absolutely necessary to proceed according to actual facts of value, without any artificial arrangement, such as that suggested by Sir Charles Trevelyan in 1861, and again lately by those who have advocated the compulsory tender of the sovereign at Rs 10, whereby the value of silver would be unnaturally raised

It is in such a sense, *viz*, consulting only the facts of value, that I wrote in 1861, and, at the instance of Sir John Lawrence, again tendered my advice during the last year With regard to those facts, it would be well to consult the evidence given to the Currency Commission, as well as the tables of prices which are prepared at the ports of embarkation, where the sovereign has a value *per se* because of its quality of money in England.

But can the same be said of Mr Strachey's practical recommendation? Thus (*vide* his 23rd para), he actually wishes to depreciate the value of silver artificially in this country, and to make a legal tender of gold which shall thus stereotype the arbitrary depreciation Be it further observed that he fixes on a price of silver for this purpose—*5s 1d* in India—which is frequently, it may be said in prosperous times generally, below the rates of the London market itself.

In support of this assertion, I add in a note* the table of the prices of bar silver in London, which was furnished to me authoritatively in

* *The price of bar silver per ounce standard in London*

Years	January	February	March	April	May	June	July	August	September	October	November	December	Average
	s d	s d	s d	s d	s d	s d	s d	s d	s d	s d	s d	s d	s d
1853	5 1⅝	5 1⅝	5 1⅝	5 1⅝	5 1	5 1	5 1⅝	5 1⅞	5 1⅞	5 1¾	5 2¼	5 1⅝	5 1½
1854	5 1¾	5 1⅝	5 1⅞	5 1⅝	5 1⅝	5 1⅜	5 1¼	5 1⅜	5 1¼	5 1¼	5 1¼	5 1⅝	5 1½
1855	5 1¾	5 1⅛		5 1⅝	5 1⅝	5 1¾	5 1⅝	5 1⅝	5 1⅜	5 1¼	5 1⅝	5 1⅝	5 1½
1856	5 1¾	5 1⅛	5 1½	5 1¼	5 1⅜	5 1⅜	5 1¼	5 1⅜	6 1⅝	5 2	5 2⅛	5 1¾	5 1⅝
1857	5 1⅞	5 1¾	5 1	5 1¾	5 1⅝	5 1⅞	5 1⅜	5 2	5 1⅜	5 1⅞	5 1¼	5 2¼	5 1¾
1858	5 1½	5 1⅝	5 1¾	5 1¼	5 1¼	5 1⅜	5 1⅛	5 0¾	5 0¾	5 1⅛	5 1⅝	5 1½	5 1¼
1859	5 1⅞	5 1¾	5 1¾	5 2¼	5 2⅜	5 2	5 2	5 1⅞	5 1¾	5 1⅞	5 2	5 1⅞	5 1⅞
1860	5 2⅛	5 2⅛	5 2⅛	5 1¾	5 1¾	5 1⅝	5 1½	5 1½	5 1	5 1⅝	5 1⅝	5 1⅝	5 1⅝
1861	5 1¾	5 1	5 1	5 1	5 1½	5 0⅝	5 0⅞	5 0¼	5 0½	5 0⅝	5 0⅞	5 1⅜	5 0⅞
1862	5 1⅛	5 1⅝	5 1⅝	5 1⅛	5 1⅞	5 1⅞	5 0⅞	5 1¼	5 1⅜	5 1⅜	5 2	5 1¾	5 1⅝
1863	5 1⅝	5 1⅛	5 1½	5 1	5 1¼	5 1⅛	5 1⅛						5 1⅜

1864, and is in the Appendix of my Minute of that year, from which Mr Strachey has quoted. This table gives the prices of silver during the eleven previous years, *viz*, from 1853 to 1863 inclusive It will be observed that in no single year was the average price of silver below 5 1¼ whereas the average price for the eleven years was about 5 1½ Now, this was in London and not in India and in India silver has to bear the cost of freight, insurance, and brokerage when imported from Europe which are computed at 3½ per cent.

I cannot discover in Mr Strachey's Minute that he has taken into consideration the 3½ per cent which must be added in India on the foregoing accounts to the price of bar silver as stated in London The like omission unless I have read the paper wrongly appears in the table he cites in his 14th paragraph Thus in that table it is said that when bar silver is at 5*s* 1*d* the equivalent in the rupee is 2' 67*d* =10 9-3 in the pound.

In Mr Dunlop s table (see page 255) of gold currency papers which in the calculation includes 3½ per cent. for freight, insurance and brokerage and further the mint charge it is shown that when the bar silver costs 5*s* 1*d* in London the cost of the rupee in Calcutta Mint is 23$\frac{9}{10}$ which would give Rs 10 and ⅔rds of an anna to the pound. An extract from Mr Dunlop s memorandum is given in Appendix C

I am I think bound to follow the argument to its legitimate conclusion Thus Mr Strachey has told us (see paragraph 13 of his Minute), that, since July 1866 the price of silver has never gone above 5*s* 1*d* in London, and that during the whole of last year it did not exceed 5*s* 0½*d*

Taking the price of silver in London as the basis of calculation we have seen what the cost of the rupee is in the Calcutta Mint when the silver costs 5*s* 1*d* in London. The same commercial method of computation being adopted *viz* of adding the cost of freight insurance, brokerage, and mint seignorage to the London price, we are informed by Mr Dunlop s table that the cost of bar silver being in London 5*s* 0½*d* per ounce the cost of the rupee at the Calcutta Mint becomes 23$\frac{7}{10}$*d* which if reduced to value in the sovereign gives about 10 rupees 2 annas, or 2 annas below the rate stated in the Government notification and 2 annas 4 pie below the value of gold assigned in Act XVII.

We have then the further inference that the price of bar silver, as quoted in London, if taken alone, is a fallacious guide, and that, in truth, it leads to a conclusion opposite to that desired by Mr Strachey.

Consequently, it is difficult to deny, that if we would approximate to the value of gold in India in the statement of price, we must follow the rule of the gold merchants, which looks to the cost of the delivery of gold in India, rather than pay exclusive attention to the price of silver in a very distant market And we are again reminded of the absolute necessity of remembering that behind both modes of computation lie the confusing elements of the balance of trade and the state of the exchanges, which seem to have escaped Mr Strachey's consideration

I cannot, in any manner, concur in the suggestion which would reverse the usual order of things, and make the more valuable metal a legal tender for small amounts only—in short, to have a gold token coinage This, I believe, to be absolutely contrary to correct principle and all previous usage in any country, and, therefore, to be certain to add one more complication to the difficulties already artificially caused in an otherwise easy matter There can be no reason for limiting either gold or silver, as regards tender, until the time has arrived for reducing the inferior metal to a token coinage and a single gold standard has been thus established

As I have often ventured to urge, all that we have to do is to adjust, as closely as possible, the relative values of the two metals in coinage, and then leave them to fight the battle for supremacy

Wherever this has been done, silver has been driven from the field, notwithstanding that silver was the original standard, *e g*, the United States, France, &c, &c

For the argument on this point, and the manner in which the obligations of a country which once had a silver standard continue to be stated under the old denomination, after the silver coinage and standard have made way for gold, I beg to refer to my Minute of March 1864.

I would add that I entirely concur in Mr Strachey's remarks on the proposals of the Indian Mint Masters.

W R. MANSFIELD

APPENDIX A

Average price of English Sovereigns, &c, since 1830

	English Sovereigns, per each.	German Crowns, per 100.	Mexican Dollars, per 100.	F Franc pieces, per 100	
	Rs. A. P	Rs A P	Rs. A. P	Rs. A. P	
1830		213 0 8			
1831		208 2 0			
1832		215 14 8			
1833	..	211 8 5			
1834				..	Not reported.
1835	10 14 1			..	
1836				..	File lost.
1837					Ditto.
1838	10 8 0	215 0 0	221 4 0		
1839	10 2 9	214 10 0	221 8 0		
1840	10 5 6	214 0 0	..	..	
1841	10 11 9	214 6 0			
1842	10 15 1	215 0 10		..	
1843					
1844	10 4 8	216 8 9	225 12 0		Ditto.
1845	11 3 0	217 14 0	221 1 7		
1846	11 2 6	231 0 0	231 2 7		
1847	11 1 0	216 1 4			
1848	11 5 2	216 1 2		..	
1849	11 2 8	213 12 0	220 14 0	..	
1850	10 4 6	212 4 0		..	
1851	10 3 10	211 8 6	221 1 4		
1852	10 4 8	211 10 0	222 0 8	...	
1853	10 2 1	215 7 8			
1854	10 2 8	227 7 4	231 14 0		
1855	10 2 7	212 9 4	222 14 0		
1856	10 1 2	209 2 0	222 0 0		
1857	10 1 1	218 12 8			
1858	10 2 2	213 12 0	222 0 0		
1859 ..	10 8 2	218 15 0	221 12 4	222 1 0	
1860	10 6 0	211 11 4	223 12 0	223 1 4	
1861	10 5 4	212 8 0	225 0 0	221 4 0	
1862	10 4 11	212 9 4	222 2 0	224 3 4	
1863	10 4 4	214 7 0	225 12 8	222 2 4	
1864	10 2 10	212 12 1	227 11 4	216 11 7	
TOTAL	283 4 5	6,430 2 11	4,020 10 2	1,329 8 7	
AVERAGE	10 7 10	214 5 5	223 5 11	221 9 5	

APPENDIX B.

Average Quotations for each year in Bombay of English and Australian Sovereigns and English and Australian Bar Gold

YEARS.	English Sovereigns	Australian Sovereigns	English Bar Gold, 98 Touch	Australian Bars	REMARKS
1857 .	Rs 10 2 7 each	No Quotation	No Quotation	No Quotation	
1858 .	„ 10 2 2 „		Rs 15 14 4 per tola		
1859	„ 10 5 9 „		„ 16 6 5 „		
1860 . .	„ 10 5 4 „	Rs 10 7 2 each	„ 16 4 2 „	Rs 15 12 0 per tola (23 carats)	Australian Sovereigns and Bars from July
1861 . ..	„ 10 4 9 „	„ 10 3 8 „	„ 16 1 7 „	„ 15 5 7 „ (23 carats)	
1862 . .	„ 10 5 0 „	„ 10 3 5 „	„ 16 3 1 „	„ 15 14 2 „ (23¾ carats)	
1863	„ 10 4 1 „	„ 10 6 9 „	„ 16 3 1 „	„ 16 1 2 „ (23¾ carats)	

NOTE —This return having been furnished from another source, differs from that given in Appendix A

APPENDIX C

Extract from "Remarks on the importation of Bullion into India, with Quotations," by H G DUNLOP, Esq , *dated Calcutta, 6th March* 1864

In the present state of Indian currency the following table may be interesting it gives the outturn of bar silver, standard, purchased in London, and sent for coinage to the Calcutta Mint.

The charges, such as freight, insurance, brokerage, &c., are computed at 3½ per cent., and the mint seignorage is duly considered.

						d
Cost in London,	4	10¾	per ounce, gives	the rupee at	a cost of	23·0
"	4	11		"	"	23·1
"	4	11¼	"	"		23·2
"	4	11½		"		23·3
"	4	11¾		"	"	23·4
"	5	0		"	"	23·5
	5	0¼	"	"	"	23·6
"	5	0½	"	"	"	23·7
"	5	0¾	"	"	"	23·8
"	5	1	"	"		23·9
"	5	1¼	"	"	"	24·0
"	5	1½	"	"	"	24·1
"	5	1¾	"		"	24·2
"	5	2	"	"	"	24·3
	5	2¼	"	"	"	24·4
"	5	2½		"	"	24·5
"	5	2¾	"	"	"	24·6
"	5	3	"	"	"	24·7

And for each additional farthing in the price of bar silver $\frac{1}{10}$th of a penny should be added to the cost as given.

Calcutta is taken as the place of import.

During the greater part of last year the Council bills on India sold on the Fort William Treasury at 1 11½ to 2*s* per rupee. This rate may be fairly taken as the equivalent of the price at which there would be a special demand for bar silver for Calcutta, apart from other places, and represents 5*s* to 5*s* 1½*d* per ounce

The latest rate at which bills were drawn (in January) was 2*s* 0¾*d*, or equal to bar silver at 5-2¼ per ounce at the outside

But remitters from England in the present state of the Calcutta money market would readily give $\frac{1}{16}$th to $\frac{1}{8}$th of a penny per rupee more for the Council bills than for bar silver, as the bills are payable on demand, and the silver in bars must be coined before it is available The present rate of Council bills may fairly be computed as equal to 5*s* 2*d*. per ounce of bar silver in London.

MINUTE—By the HON'BLE SIR RICHARD TEMPLE,—*Dated* 12*th February* 1869.

His Excellency Sir William Mansfield has, in his Minute of the 9th current, in my opinion, so completely answered Mr. J. Strachey's Minute of the 30th ultimo, that my remarks on the present occasion may be brief.

2 My hon'ble colleague, Mr. Strachey, is quite correct in the belief, expressed in his 8th paragraph, that my recent proposals regarding a gold currency have been based on the report of the Commission of 1866. Considering the high authority of that Commission, and the elaborate enquiry they made, it was but natural and proper that I should so base my proposals Considering also that the distinguished President of that Commission, His Excellency Sir William Mansfield, is a Member of this Government, it was fitting that I should consult him—which, indeed, I have done with much advantage and instruction to myself Indeed, our deliberations on this important subject have been most essentially aided by His Excellency

3. I append a copy of my Minute of the 5th June last, to which Mr Strachey has referred, also extracts from Minutes which I recorded in October last.

4 For further exposition of the reasons for the course which has been adopted, and which I, for one, have steadfastly recommended, I would refer to our recent despatch to Secretary of State of the 23rd December 1868.

5 Mr Strachey points to the relative value of gold and silver as prevailing in Europe I admit, of course, that these data are valuable and worthy of consideration. Indeed, I pointed to this very matter in my Minute of the 5th June last But various circumstances, exchanges and the like, are shown to cause fluctuations, and to render the argument only partially applicable to India.

6 I observe that my hon'ble colleague pushes his conclusion very materially further than Mr Arbuthnot has done in the valuable paper from which Mr Strachey quotes. Mr Arbuthnot does not affirm more than that the substitution of gold for silver in the currency of India would lead to a "re-action in the upward tendency" which has, of late, prevailed in the price of silver as compared with gold. Mr Strachey considers that if we introduce a gold currency into India, the relative prices of gold and silver in the Indian markets will become approximately the same as the prices that obtain in Europe. It appears to me that my hon'ble colleague has not only, as has been pointed out by His Excellency Sir William Mansfield, omitted to consider the charges which must always be added to the European price of silver as an element of the Indian price but forgotten that the disproportionate demand for silver throughout the East as compared with Europe depends after all very largely upon circumstances altogether apart from its employment in the Indian currency such as the habit of hoarding silver its constantly increasing use for ornaments, and the demand for it in populous regions, such as China and Japan. Upon all these circumstances its displacement by gold in our currency will produce little or no effect.

7 But the main, indeed the conclusive point is the existing relative value of gold and silver in India. If that can be arrived at, or approached, then we may hope for a solution of our doubts Now all the evidence goes to prove that a sovereign can be laid down in India at rates varying from Rs 10 5 to Rs. 10-3 This justifies the rate of Rs 10-4 which we are allowing for the sovereign.

8 That a rating so arrived at by experience should coincide with the legal valuation fixed in India so far back as 1835, and since unaltered, is a remarkable confirmation of our proceedings

9 The valuation of 1838 * having been arrived at under the previous circumstances of a legal tender of gold, was, it may be assumed fixed after the most careful consideration. It may have been temporarily disturbed perhaps by the subsequent gold discoveries but after that fluctuation has again become practically correct for India at least, the country for which it was intended.

10 I have always understood that the relative value of gold and silver does not really change in the long run and upon periods of dura

* *Sic* in original.

tion sufficient for the establishment of conclusions, though, doubtless, it is subject to fluctuations intermediately I would refer to the words of Mr Dickson (whose authority is beyond question), to the effect that "the relative values of the two metals, notwithstanding periodical fluctuations, do very soon adjust themselves to each other," and that "the subject must be discussed, not in relation to the existing state of matters, but to the experience of a series of years"

11. Accordingly I went into the latter point last year Mr Dickson's examination went back for more than a hundred years, and it appeared that in the year 1717 gold to silver was as 1 to 15 209 and in 1867 as 1 to 15 333, so that the difference over this long period was very slight

12 If I admitted Mr Strachey's arguments to the full (which, however, I am far from doing), I should reply that the conclusion logically deducible from them was, that we ought to have offered more than Rs 10-4 for the sovereign, but that, considering that we had raised the rate from Rs 10 to Rs 10-4, we were manifestly proceeding cautiously, and that our error, if any, was on the side of caution That such caution is a necessity is shown by the questions put to us from various quarters

13 As to Act XVII of 1835 being "obsolete," as described by Mr Strachey, I cannot understand that, inasmuch as gold has always been, and still is, coined under this law

14 Mr Strachey recommends that gold should be coined and made legal tender up to Rs 200 only, silver, of course, remaining legal tender up to an unlimited amount This is so opposed to my understanding of the whole subject, that I cannot follow it The notion seems to be contrary to the fundamental principles of metallic currency, and specially to the practice in England I understand the natural order of things to be, that the superior metal (gold) should be legal tender to any amount and the inferior metal (silver) to only a limited amount when the latter has been reduced to the rank of a token coinage. This order seems to be reversed by Mr Strachey's recommendation

R TEMPLE

From the Government of India, to the Secretary of State for India,— No 43, *dated* 15*th February* 1869

As promised in the last paragraph of our despatch No. 333, dated the 23rd December last, we have the honor to forward copy of a Minute

recorded by the Hon'ble Mr Strachey on the subject of a gold currency, together with further Minutes by the Hon'ble Sir William Mansfield and the Hon'ble Sir Richard Temple

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From LIEUT COLONEL H HYDE, R. E, *Head Commissioner of Paper Currency, to the Officiating Secretary to the Government of India, Financial Department,—No* 693 *dated 8th March* 1869

With reference to your letter No 879, dated 4th ultimo, permitting the exchange of Indian gold coins* with the public for notes, I have the honor to enquire when these coins are to be considered as of light weight, and, as such, to be refused, or are they to be accepted irrespective of the loss in weight they may have sustained by abrasion or any other cause. Act XVII of 1835 does not afford the necessary information on the subject.

* Double-mohurs.
Mohurs.
10-rupee pieces.
5 " "

Endorsed by the FINANCIAL DEPARTMENT,—*No* 1617, *dated 12th March* 1869

Forwarded to the Comptroller General of Accounts for report. (Original papers to be returned.)

From E F HARRISON, Esq, *Comptroller General of Accounts, to the Officiating Secretary to the Government of India, Financial Department,—No* 983, *dated 22nd March* 1869

With reference to your office docket No 1617 dated 12th instant I have the honor to report that no minimum weight is fixed in Act XVII of 1835 and that none was fixed by Regulation XXXV of 1793 for the gold coins under that Regulation which were legal tender; nor was any limit fixed by Regulation II of 1812 which defined the minimum weight of silver coins I think a minimum weight should be fixed on the same principle as that adopted by the Imperial Government with regard to the sovereign and half-sovereign

2 On consultation with Colonel Hyde I learn that it is not found necessary to allow in the case of a large coin so great a proportionate rate for ordinary wear as in coins of a smaller size He considers that the allowance for a sovereign would be sufficient also for a piece of Rs 15

3 By Royal Proclamation of 3rd June 1842, the minimum legal weight for sovereigns is ordered to be 5 dwt $2\frac{1}{2}$ gr, and for half-sovereigns 2 dwt $13\frac{1}{8}$ gr, thus allowing for wear 774 gr and ·512 gr, respectively I am not aware of any more recent order having been passed upon the subject, though the allowance is differently given in Tate's Cambist, which is generally accepted as an authority on matters of fact connected with the currency.

4 I would propose, for the approval of Government, that the following rates of allowance be fixed for wear of gold coins before it ceases to be received in Government treasuries —

	Grains
For the Gold mohur, sovereign, and 10-rupee piece	774
„ „ Half-sovereign and 5-rupee piece . .	512
„ „ Double-mohur	1

5. The Mint Master should be instructed to observe the rate approved by Government in the construction of weights to test the minimum weight at which the coins should be received

NOTIFICATION—By the Government of India, Financial Department,—No 2731, dated 24th November 1869

With reference to the Notification of 28th October 1868, No 3287, the Governor General of India in Council is pleased to fix the following rates of allowance for wear of gold coin before it ceases to be received in Government treasuries —

	Grains.
For the Gold mohur, sovereign, and 10-rupee piece ...	774
„ „ Half-sovereign and 5-rupee piece	512
„ „ Double-mohur	1

From R. H HOLLINGBERY, Esq, *Assistant Secretary to the Government of India, Financial Department, to the Head Commissioner of Paper Currency,—No 2730, dated 24th November* 1869.

With reference to your letters Nos 693 and 283, dated the 8th March and the 5th August last respectively, regarding the rules for refusing to accept Indian gold coins of light weight, I am directed to refer you to a Notification of this date, and to request that, while it will be necessary for you to construct weights for testing the minimum weight at which the coin should be received, you should use discretion in supplying weights. At present they need not be generally supplied.

NOTIFICATION—By the Government of India, Financial Department, No 3764, dated 12th December 1870

It is hereby notified that certificates granted under Section 24 of the Indian Coinage Act 1870, for gold bullion tendered at the Mint for coinage, will be paid at the option of the holders in 15, 10 or 5 rupee pieces of the weight and fineness prescribed in Sections 4 and 5 of the said Act.

From—R H HOLLINGBERY, Esq, *Assistant Secretary to the Government of India Financial Department, to the Mint Master, Calcutta*—*No* 3763 *dated* 12*th December* 1870

It having been determined to issue a notification as per margin, I am directed to request that you will be good enough to coin 5 000 ten-rupee and 2,000 five-rupee pieces out of the currency gold bullion held at the Mint, and supply the General Treasury with the coins receiving in exchange an equivalent number of fifteen rupee pieces for the Currency Department

See Proceeding No. 1

Copy to the Head Commissioner and Comptroller General.

Minute by the Honorable SIR RICHARD TEMPLE K. C S I.

I desire to lay before the Government of India three notes by Mr G Dickson, Secretary to Bank of Bengal, on the subject of the gold currency, which he was good enough to draw up at my request also notes by Mr R B Chapman the Financial Secretary, and Mr H D Sandeman Officiating Comptroller General and Mr E Gay, Deputy Comptroller General on the same subject.

2 I have long believed that a gold currency is wanted in India; that its introduction ought to be an object for gradual if not immediate, attainment and that the British Government ought to adopt measures from time to time towards that end. I do not say the introduction of a gold coinage for we have that already in India. We have gold pieces representing fifteen, ten, and five rupees, respectively, and believed, by what may perhaps be considered some of the best authorities in India, to represent these several sums very correctly as regards the relative value of gold and silver That this relative value has by these gold pieces been preserved with as much accuracy as possible under the circumstances, was affirmed by the report of the Indian Currency Commissioners in 1867

But, despite their intrinsic merits, these coins are not, and cannot, be available as currency, because they are not legal tender I conceive that we should, so far as we fairly can, permit inducements to arise for the importation of gold into India, and for its retention in considerable quantities in the country, that whenever such quantity might be found adequate, we should take the first opportunity to declare the gold coins legal tender to unlimited amount, that the gold pieces should continue to bear the fixed relation to the rupee, that, for a time, it might be necessary to permit the rupee to remain legal tender to an unlimited amount which would involve temporarily the difficulty of double standard, that the transition period of double standard should be as short as possible, silver being reduced to a token coinage, and being legal tender up to a small amount only, and that gold should be ultimately the one legal standard

3 Remembering that many steps must be taken before any such consummation could be arrived at, I should have preferred just now to confine myself to such practical measures as could be adopted at present But, among the many doubts which surround the subject, I see, or imagine that I see, one doubt which affects the very root of the matter. It seems to be doubted whether a gold currency is needed at all for India, or whether it constitutes a requirement of that pressing or important character which would justify any alteration in so delicate an affair as the currency

4 I do not at all share such doubt, on the contrary, I share the conviction expressed by my predecessors, Mr S Laing and Sir C Trevelyan and Mr Massey, to the effect that a gold currency is among the urgent wants of India With the exception of Mr Wilson, every Financial Member of the Government of India has advocated this view In 1866 similar views were advocated by a Special Commission in India appointed to examine the whole subject, and have been maintained at one time or other by every Chamber of Commerce in India But, in the event of such doubts as above described being seriously entertained, I will attempt to briefly recapitulate the reasons why a gold currency is desirable in India And my excuse for making the attempt must be this If people shall strongly entertain an *a priori* conviction that a gold currency is really wanted, then they will find that the supposed difficulties in the way of its introduction are not at all insuperable, if, on the other hand, they have no such conviction, then the difficulties which more or less beset every question of currency become magnified to undue proportions

5 It can hardly be necessary to recall to mind the superiority of gold over silver, or the reasons why, in all countries, the estimation of gold is about fifteen times greater than that of silver A well known writer on bullion has summarized the advantages of gold thus:—

Gold is the noblest of all metals—the *king of the metals* as the alchemists of old used to call it. It holds this exalted rank by virtue of its precious physical and chemical properties, among which may be mentioned, more especially its indestructibility; its signal power of resisting oxidising influences; its fusibility; its permanent ductility and malleability its beautiful color and splendid lustre."—SEYD—*Bullion and Foreign Exchanges*

6 It is this superior estimation which, causing gold to be so much more relatively portable than any other precious metal, gives it a practical efficiency in commercial transactions, of which inherent quality nothing save artificial restraints, from systems of currency, can deprive it

7 The most advanced nations England France Italy America Germany Holland possess a gold currency Most of them have at various times adopted measures to change the currency from silver to gold. Some of them have even put forth efforts and undergone sacrifices for this object

8 It is generally acknowledged by the best authorities that the money which is to be the medium of exchange and the measure of value in large transactions or in all save small transactions should be gold as being the metal most suited for such purposes from its greatly superior estimation. Silver is suited only for transactions too small for the use of gold just as copper is suited only for transactions too small for the use of silver

9 In the first place Adam Smith explains that—

"In the progress of industry commercial nations have found it convenient to coin several different metals into money; gold for large payments, silver for purchases of moderate value, and copper or some other coarse metal for those of still smaller consideration."

10 Michel Chevalier gives a similar explanation:—

"We know that, for many centuries, copper constituted the money of Rome After wards, society having become richer copper money was no longer sufficient; with the increase of wealth payments became too cumbrous, and a more valuable metal than copper was found better adapted for the bulk of transactions; it was thus that silver money came into use. This was soon after followed at Rome and for the same reason by a gold currency The history of the currency in the monarchies which were reared upon the ruins f the Roman Empire reveals the same process."

The same authority goes on to say of gold and silver, "A division of their employment seems to be indicated, for silver the smaller, for gold the larger payments"

11 M'Culloch, speaking of gold and silver, says that—

"The former would be sure to be preferred as money to the latter in all but petty transactions"

* * * * * *

"The use of gold as money is accompanied by so many advantages that it would maintain its place even though it were somewhat under-rated as compared with silver Inasmuch, however, as gold has so many natural grounds of preference on its side, the true plan is to make it the only standard"

12 Tooke, after rejecting *seriatim* the arguments for a change from a gold to a silver standard, says that "in other respects it would be the substitution of the less convenient for the most convenient description of currency"

13 Chambers writes in his chapter on money —

"A substance has been employed as the chief circulating medium over the civilized world Its own nature has made it the standard currency, though it is relieved and aided by other kinds of currency This substance is gold, which by common consent people at the utmost extremities of the civilized world have used as their standard currency"

14 One of the main reasons for the preference of gold over silver is forcibly expressed by another writer (Dunning Macleod) —

"The greater the intrinsic value of the metal, the better is it qualified to perform the functions of a currency" * * * * "The more rare and valuable the metal, the more portable and convenient would it be, so that a man might carry about with him, as it were, a concentrated essence of power of commanding services"

As John Stuart Mill observes—

"There is an obvious convenience in making use of the more costly metal for larger payments and the cheaper one for smaller, and the only question relates to the mode in which this can best be done"

15 Mr N A Nicholson, in his work on the Science of Exchanges, says —

"In a country where banknotes for very small amounts are permitted, as, for instance, the dollar notes of America, it matters little which of the two precious metals is chosen as the standard, provided there be one standard In a country where these small notes are not permitted, gold is to be preferred to silver as the one standard"

Further on he reiterates the opinion, thus —

"Gold therefore is to be preferred as the standard of value in countries where small banknotes are not permitted by law"

These remarks are fully applicable to India.

16 Even some of those authorities, for example, Ricardo and James Wilson, who prefer silver as the sole standard, make important admissions in favor of gold. Ricardo states that—

"In favor of gold it may be said that its greater value under a smaller bulk eminently qualifies it for the standard in an opulent country

James Wilson says —

"No one will be inclined to deny that if we had to begin a system of currency de novo the most convenient of all the various systems now in practice would be found to be that used in England, where gold is the standard, and silver tokens of limited tender the subordinate coins."

17 Now these considerations of political economy are just as applicable to India as to any other civilized country It will hardly be denied that India is a civilized country Although civilization, in a politico-economic sense, is not so diffused in India as in Europe though the mass of the people are less civilized than the corresponding classes of an European people, still India has a fair proportion of civilization, has a large field for the exercise of political economy—all which though inconsiderable relative to the vastness of the country, is considerable absolutely Though on the whole a poor country certainly, still India is, in parts, rich enough, has, within particular limits great wealth has extensive transactions, has in some respects, much to do with money on a great scale.

18 It is no sufficient answer to this to say that the mass of the people never see anything better than copper money that it is only certain classes that see even silver and that but a comparatively limited number would see a gold currency if it existed. For the limited number who would see gold represent the most important classes of the country, just those classes whose skill enterprise, and intelligence, go far to make the fortune of the nation. If the sections of the people who would use gold were summed up they would be found to represent a great and growing interest. And if they really require a gold currency, that would be a strong reason for introducing it.

19 Again, if it be supposed that such currency were not so urgently wanted for the interior of the country generally, still the question would

remain as to whether it is wanted for the larger transactions of the inland trade and especially for the foreign trade? It is not so easy to gauge the inland or interportal trade. But we know the extent of the foreign trade exactly, and we can see what a mighty interest that represents

20 But the number of persons in all India who would use a gold currency is not so limited as seems to be supposed It may be mentally measured in this way With our five-rupee gold piece legal tender, every one who had to pay five rupees or more in metallic currency (unless he paid in currency notes) would pay in gold Every one who kept, or hoarded five rupees and upwards in treasure would use gold Let us compute by our own notions (we cannot ascertain exactly) what the number must be of payments of five rupees and upwards in all India within any year Surely it must be very great, quite great enough to justify the consideration of measures for introducing a gold currency

21 Or, let us suppose that, following the example of the five-franc gold coinage, or forming the easily conceivable notion of a five-shilling gold piece, we were to have gold coins of lesser denomination than five rupees (for which the authority of M'Culloch might be cited)—say, for example, that we were to have 2½-rupee gold pieces, then every payment of metallic currency of 2½ rupees and upwards would be made in gold, if there were a gold currency How very great, then, must the number be of such payments in a year

22 But in these, as in other matters, there is such a thing as national prejudice It is conceivable that such a population as the Indian might have some national prejudice against gold But have they, in fact, any such prejudice against gold pieces? No, they have not. Quite the contrary, their prejudice, if they have any, is entirely in favor of gold The imperial dynasties which preceded us in India had a gold currency Some comparatively ancient gold coins have still a limited circulation, and enjoy the highest repute It is remarkable that the gold coins which issue from the British mints in India mostly find their way to Native States It may be said, in general terms, that on our accession to power in India, we found a gold currency existing conjointly with the silver currency, and it was reserved for us to accord silver the dominant and exclusive position which it now holds in the currency My own belief is, that few nations have, in their own minds, a higher appreciation of gold than the natives of India.

23 It was in 1835 that silver was made the sole legal tender in India, gold, however, ceasing to be a legal tender, was still receivable at the treasuries in payment of Government dues. Even this was stopped in 1853 The prohibition was withdrawn in 1869, since which time the gold pieces have been and are receivable at the treasury as before

24 This measure, however sound in principle, has not proved efficacious. Indeed, the state of the exchanges prevailing since that time has not been such as to cause the importation of gold bullion. And, indeed, nothing can bring about a permanent influx of gold while gold pieces are not legal tender

25 Upon this point M'Culloch writes thus —

"Silver has become in India, in fact as well as in law the sole legal tender * * * There are, at the same time, various circumstances which make it much to be regretted that an attempt should have been made to exclude gold from the currency of India. * * * Had gold been allowed to circulate as coin it would have been extensively employed in making large payments and it would also have been extensively hoarded. * * * It would be good policy to re-introduce a gold currency

26 M'Culloch further makes a remark which I shall cite in this place. After explaining that gold would if it had a fair chance, circulate in India as well as silver he goes on to say—

"In that case the increased demand for gold * * * would, by lessening the demand for silver have checked any tendency it may have had to rise.

Sir William Mansfield (now Lord Sandhurst) elaborated this same point in 1864 He estimated that the exclusion of gold from the currency caused a rise of 5 per cent. in the price of silver and held that this led to injustice towards the land holding classes of India, who pay land revenue fixed for long periods or in perpetuity

27 Whether we go to the full length of these conclusions or not still we can hardly doubt that to virtually oblige the people of India (as we indeed do oblige them by our present system) to use only one precious metal for currency, when they might have had two precious metals, is to enhance the price of that one precious metal, silver and thereby to put them to considerable expense unnecessarily They must have the silver for currency use and they must purchase it with their produce. If the price be enhanced, say by even a small percentage, then let the significance of that be considered The amount of silver in circulation cannot of course be stated, but it must evidently be very great—supposed to be at least 150 millions sterling in value, sometimes even estimated at more than 200 millions Tooke's History of Prices, Vol VI, page 723 gives the amount at 400 millions But that includes silver for orna

ments and other purposes It is not material to the present argument to discuss what the estimate ought to be The amount, whatever it may be, has been purchased by the people of India Then even a small percentage on either sum would give an extra expense of several millions, to which the people have been unnecessarily put. Such an estimate is not precise indeed, but it may serve to give some idea of the possible loss occasioned to India.

28 Again, to use gold instead of silver coins is to effect a great saving in minting charges and in wear and tear, or, *per contra*, to oblige the people to use silver coins when they might use gold, is to put them to the expense of about fifteen times as much minting and wear and tear of coinage as might otherwise have been necessary This cost may be relatively small, from one to two per cent on value of coins; still let us remember the amount of silver coined in India since 1835, about 197 millions, and we shall see that even a small percentage on this vast sum would be an appreciable amount It follows that this amount might have been to a large extent saved to the country had there been a gold currency. Sir W. Mansfield summarizes the advantages of gold as—

"*1st*, superior portability,"
"*2nd*, decrease of wastage,"
"*3rd*, economy in mintage,"

and he describes these as "elements of cheapness which have a marked effect in asserting the superiority of gold"

29 It is often said in effect that the certainty of silver always being largely employed as currency in a comparatively poor country like India is a reason why a gold currency is not wanted But I contend, on the contrary, that this very circumstance is one of the reasons why a gold currency *is* wanted, because it tends to steady the price of that silver which is one of the necessaries of the national life

30 On the whole, it seems clear that while, in all other branches and departments of administration, we endeavour to give to India the best of everything so far as we can, yet, in respect to metallic currency, we deliberately withhold from her the first-rate article and afford her a second-rate one

31 The foregoing considerations apply to India in common with other countries where there may be commerce and accumulated wealth But there are special reasons in India why a silver currency without any gold currency must be inconvenient In other words, there are, in addition to the general reasons, special reasons why India ought to have a gold currency

32 The continent of Europe, and especially the United Kingdom, obtain both gold and silver from about the same distance in the case of each metal. Those countries have commercial relations with gold and silver producing regions Gold comes direct from America, so does silver

33 With India the case is different. She has but slight commercial relations with America, and consequently she has to obtain silver through the medium of England. This is, to some extent, a disadvantage, and must involve various charges, direct and indirect She has also to obtain the silver in which her currency solely consists, from an immense distance

34 On the other hand, she could obtain gold from Australia direct, without employing any other country as a medium and from a much shorter distance. Thus it would appear that, from its situation, Australia with its gold producing regions is the natural source of supply of the precious metal to India. It is the present system of the metallic currency that prevents India from availing herself of the great natural advantage offered by Australia in this respect, and forces her to obtain her specie under comparatively disadvantageous circumstances

35 As Colonel Smith the Mint Master has well expressed it—

"The advantages of introducing gold into the currency of our vast dependency need not be here insisted upon. They may be inferred from the unanimous wish of the inhabitants for a less cumbrous means of exchange, from the benefit to be derived by the whole civilised world from India s taking her share of the increased produce of the gold mines, and from the anomalous spectacle exhibited for many years past, of ships freighted with gold traversing half the globe in one direction crossing ships conveying an equal value of silver in the opposite direction, for the adjustment of balances of trade capable of settlement without either voyage, and with a saving of expense of a quarter of a million sterling annually "

36 Sir William Mansfield (now Lord Sandhurst) put the case thus

There can be no good reason to compel the precious metals to make the journey from Australia round by London to India, instead of coming direct to the latter country Yet that is what, to a certain extent, necessarily takes place, and which throws heavy charges on the metal ordained as a legal tender *viz.*, silver The gold of Australia must go to London to be exchanged for silver which is then sent out to India after being bought at an artificially high price in Europe and the United States. The European markets are the middlemen who obtain their profits on the silver sent to India to restore the balance of trade "

37. Sir Charles Trevelyan ably set forth the same point thus·

"England has a southern as well as an eastern empire, and the great staple of that southern empire is gold Owing to the exclusion of gold from the Indian currency, the trade with Australia is chiefly carried on in this way. The gold of Australia is sent to England, where it is employed in buying silver, and the silver is sent to India burdened with the charges of the double voyage and with the additional interest accrued during the long period occupied by it The cotton and other exports of India are charged with the extra expense arising from this circuitous mode of payment Even a worse result is, that the trade cannot be carried on in a regular manner The gold remains in the Bank of England until the Indian demand sets in, and then it is suddenly withdrawn to sweep the continent of silver for transmission to India'

38 The fact that the trade between India and Australia is not great, and is not likely to grow essentially, would not of course constitute a difficulty. It is true that if India received a large amount of gold from Australia, she would not be able to send her produce to Australia in return But the balance in favor of Australia would be settled and adjusted in the trade between India and England and England and Australia India has extensive claims upon England for produce exported thither. She would transfer to Australia a portion of those claims and thus pay for the gold.

39 The adjustments which take place in China will afford an illustration. China owes India, yearly, a large sum for opium. She does not wholly pay this debt by produce or treasure She pays, in part, by transferring to India her claims upon England for Chinese produce exported thither

40 But, further, there is one marked peculiarity in the situation of India,—which is perhaps almost unique in the world,—in that she has annually to remit to England money to the sum of many millions The liability is as serious as it is inevitable, and the cost of so vast a remittance amounts to nearly half a million pounds annually, and sometimes more.

41 While the Indian currency is in silver only, the principal means of remittance must be silver Under these circumstances India will never possess gold in adequate quantities. The balance due to her on trade will be paid in silver, in the main, she must take that metal and none other. And she will possess no other precious metal wherewith to

pay whatever there is to be paid by her in specie. She will have, then, only her silver and her produce wherewith to discharge her obligations

42 But, as England has a gold currency, the payments must be made in that metal, so far as they have to be made in money at all. And as India has to pay in gold she must obtain gold either by means of her silver or her produce. This is the real basis of the transaction though, in practice India does not generally make her payments in specie. She receives gold in England from purchasers of bills called council drafts, and pays to the holders of these drafts silver from the Indian treasuries But the payments are settled and adjusted in gold, and the difference chargeable to her on this adjustment comes to the same thing as if she had purchased with silver or produce the gold wherewith to make payment.

43 This arrangement appears to be inconvenient to India in various ways.

44 In the first place she obtains her silver through England The cost of effecting this is considerable Then she has virtually to bear the charge of exchanging silver in her own limits for gold in England and the cost of that again is considerable It would be more economical and more convenient if she herself possessed the gold in which the payments had to be made. If her currency were to be gold then she would always possess quantities of the very metal in which her obligations have to be discharged and her account adjusted.

45 If the currency of England had been silver, then the argument would be somewhat altered. At present India has a sort of double difficulty Firstly, she has to make this great payment annually in itself a difficulty Then she has the additional difficulty of purchasing the metal in which the payment is calculated. This additional burden is caused by the present state of the currency And this must aggravate the charges to which India is subject

46 Again under the existing status the relative value of silver to gold is the regulator in all respects, of the cost of these transactions to India The value of silver is, of course, liable to fluctuations For, the

value of gold in England being determined by law, and that of silver being not so determined, these fluctuations as regards silver are appreciably great, and are sometimes embarrassing by reason of the trouble and expense which they cause Within India the value of silver is indeed determined by law, but that fact is of no use nor validity in respect to the exchange with England Now this difficulty would be mitigated, perhaps almost removed, if India had also a gold currency, with the same status as that of England, that is, with the value determined by law.

47. Mr. Goschen, in his work on Foreign Exchanges, writes—

"Considering the case between silver and gold When a bill on Hamburg payable in silver is bought in London for a certain price, payable in sovereigns, what will determine the value? * * * * Gold is simply merchandise in such countries as have a silver currency and silver is merchandise in such countries as have a gold standard, and, according to the price of the merchandise at a given moment, so will the exchanges fluctuate When a bill on Hamburg is to be sold on London, all the previous elements of value will have to be taken into consideration,—the rate of interest in the two countries, the state of credit, relative indebtedness, and so forth, but the value of silver in England will enter largely into consideration, or, in the opposite case, the value of gold in Hamburg"

Now it seems to me that, *mutato nomine,* the same story might be told of the exchange between England and her Indian dependencies, and that the process inevitably places India at a disadvantage

48 Thus I contend that there should be one standard only of value for the two countries, in other words, that the standard for India should be the same as that for England, that India is specially entitled to this advantage, because she is more conveniently suited as respects the gold-producing regions than the silver-producing regions, and because gold is the currency of the country to which India has to make such great payments, and that a gold currency would not only cause a saving to India in the procuring of so important an article as specie, but would also lessen the difficulties arising from the pecuniary obligations of India towards England.

49 There is one more point to be noticed, which is this It is observed by the Financial Secretary, Mr. R B Chapman, that when, upon

the establishment of a gold standard, silver came to be demonetized, and the intrinsic value of the rupee to be diminished, the effect on the native mind would be bad. Mr Chapman's words are, "It follows that we shall have to substitute for the use of the masses of our population a token silver currency for the present full value currency Are we at all certain what the effect of this will be upon the ignorant population? Or how a silver token currency will work alongside of a full value Native State silver currency?

50 It is quite true that the natives will always look to the intrinsic as well as to the nominal value of the rupee. Though the new rupee, with a less intrinsic value of say 6 per cent., may pass in currency for the same value as the old rupee still the natives will not estimate it so highly as the old rupee, because they use rupees for melting and for hoarding as well as for currency All this may be admitted to the full But what then? I fail to perceive what evil would follow It is said that the natives would prefer the rupees of Native States in which the proportion of alloy might be less than in the demonetized British rupee. It might not be of much consequence if this were to be the case But it by no means follows that any such consequence would arise. If natives closely estimate the grains of fine silver in the rupee they will weigh accurately the British rupee against the native rupee. And the British rupee will be valued at its weight in fine silver at least. Besides this, it would have the advantage of being legal tender in British territory for small amounts which the native rupees would not. And this advantage must secure the preference to the British over the native rupee, as silver to silver

51 It might be said of course that the British rupee would cease to possess the estimation it now possesses, and this portion of our currency would decline in reputation. Very true no doubt. But, on the other hand we should have given the country a gold currency, the coins of which would rise rapidly to the highest repute, and to a degree of estimation to which even our silver has never yet risen. I believe that no coins that ever were coined in this country would be so popular as the gold legal tender coinage of the British Government. In other words, while we deprive the people of the old silver standard, we give them in return, a superior gold standard. And thus the last state of the currency would be far better than the first.

52 Further, it is sometimes urged as a reason against introducing a gold currency that there is never likely to be a sufficient quantity of gold available to justify its being declared legal tender The quantity of specie required for circulation in India was estimated, fifteen years since, at 150 millions sterling, or rather that was the supposed value of the silver coins in circulation Within this century, the net importation of gold has exceeded 99 millions, but only a small portion of it has been coined. Having regard to the long period that coin lasts, the coinage, gold and silver, may now be estimated at more than 150 millions sterling, and the amount of gold bullion and specie in India is within this amount These several quantities may not, indeed, be precisely known But it is quite true that the amount of gold available or obtainable in India, under present circumstances, is small as compared with silver and is not as yet, nearly enough for what the requirements of the country would be after gold being declared legal tender But, though I admit all this to the full as fact, I do not at all admit it as a reason for refraining to declare gold to be legal tender For manifestly gold, having been once declared to be legal tender, would become one of the needs of the national existence Gold would be an article which the country must purchase, and with its large surplus of exported produce over imported goods, and with an ample balance of trade in its favor, the country would have no difficulty in purchasing gold, which metal it could, as has been seen already, obtain direct from Australia on reasonable, perhaps even on favorable terms. If, then, the need of gold for currency in India were to be anticipated, its influx into the country would be a matter of a few months, perhaps only of a few weeks, and the want would hardly have begun to be felt before it was supplied

	£
Silver Coinage	
From 1801 to 1834-35	63,631,833
„ 1835-36 to 1870-71	196,776,414
	260,408,247
Gold Coinage	
From 1801 to 1834-35	11,060,148
„ 1835-36 to 1870-71	2,061,972
	13,122,120
Total Gold and Silver Coinage	
From 1801 to 1834-35	74,691,981
„ 1835-36 to 1870-71	198,838,386
	273,530,367
Imports, Gold	
From 1801 to 1834-35	9,455,635
„ 1835-36 to 1870-71	95,030,569
	104,486,204
Exports, Gold	
From 1801 to 1834-35	2,033,442
„ 1835-36 to 1870-71	3,015,342
	5,048,784
Net Imports	99,437,420

53 Before concluding, I would add that experience does not shake my belief that the relative value of gold and silver is represented according to scientific theory and principle by the present gold coinage of India, that is 120 grain gold piece to 10 rupees, that the present rate offered by the Government of India in 1869 for the English and Australian sovereign 10¼ rupees (ten rupees and four annas) coincides as nearly as possible with that standard, and that the conclusions arrived at by the Currency Commission in 1867 are sound. It is true that very few sovereigns have been received in the treasuries since 1869 but this circumstance is attributable not to any defect in the rating (10¼ rupees to the sovereign), but to the state of the exchanges which has precluded the importation of gold bullion, silver being the sole legal tender How can gold compete with silver in India while the latter has a value fixed by law and the former has not? I understand that, as a matter of fact, gold can still be laid down in India at something *less* than Rs. 10¼ for the sovereign and that so far the Rs. 10¼ rate must yield a profit on the importation. If that be so then this rate would still seem to be the right one And the non-arrival of gold must apparently be due to artificial causes, which amount to this, that gold is at a disadvantage as compared to silver which is favored by law If this be so, then the fact that gold sovereigns command in the market, at most times a higher price than Rs. 10¼ and the 120 grain gold piece a higher price than Rs. 10 must be owing to adventitious causes, and to the circumstance that the supply of these coins being very limited there is a sort of fancy demand for them which is no criterion of what their value would be under a different status

54 Those who dissent from the above named determination of relative value base their argument on the fact that this assumes a proportion of exactly 15 to 1 gold to silver whereas at many periods in England, and of late years in India the market prices show a proportion of something more than 15 to 1 But then the prices are affected in England by the fact that gold has a value determined by law and silver not; while *vice versâ* in India silver has a value determined by law and gold has not And this consideration renders it impossible to determine relative value precisely by these prices One cardinal test is this take the cost at which gold and silver can be laid down, is, and generally has been, laid down in India, counting the charges for bullion, freight, insurance brokerage, and seignorage, and then the proportion of 15 to 1 would

appear correct and proper as regards this question at issue; and it would seem that gold could be profitably imported at the present rating

On the other hand, Mr. John Norman of Calcutta, a gentleman of great knowledge and experience, in a letter which will be found among the appendices of this minute, endeavours to show that 15 to 1 would practically exclude gold, that 15½ would exclude silver, and considers that with 15⅓, or even 15¼, very large amounts of gold would be presented for coinage.

55. I still hold to the opinion that if it were determined to have a gold currency, we should mainly employ our Indian gold coins for that purpose I would not object to make the sovereign a legal tender for ten rupees and four annas But the sovereign being worth ten rupees and a fraction over, there might be some slight trouble of calculation in changing it for silver, and this would be a drawback in respect of the use of the sovereign as currency in India And if this objection were urged, I would not press for the sovereign being declared legal tender. But we should continue, under any circumstances, to receive the sovereign in our treasuries at the present rating, or at whatever rating might be fixed

56 I believe that a repugnance is felt by some to the present determination of the question of a gold currency in India, because of the prospect of some universal coin being adopted internationally But the prospect seems, practically, to be almost disappearing At all events the report of the English Commission on international coinage, presided over by Lord Halifax, seems to be quite adverse to any change in the value of the English sovereign.

57 I have not dealt with the objection which has been sometimes urged to a gold currency, to the effect that the national debt, and the paper currency are calculated in rupees. For the objection has been disposed of more than once in the papers relating to gold The sum seems to me to be this—we promised to pay in rupees and we should pay in gold determined by law to be equivalent to rupees

58. I have hardly in this paper undertaken to treat of all the points connected with this important subject, still less to discuss all the collateral matters which might suggest themselves for discussion But the subject in all its bearings has been dealt with in the report of the Indian Currency Commission of 1867, in the volume of printed papers relating

to gold currency in India, in the file of correspondence relating to the revised notification of 1869 70 and in the additional papers now submitted. I am unwilling to add more than I can help to the mass of writing which already exists.

59 In conclusion, I would ask early and favorable consideration to the proposals of Mr Dickson, which I will give in his own words

> "I.—To authorize the receipt of English and Australian sovereigns into all the Government treasuries of India without restriction, and whether tendered in payment of Government dues or in exchange for silver
>
> "II.—In conformity with the provisions of the Currency Act to authorize the issue of currency notes in exchange for gold bullion tendered at the mint for coinage into Indian gold sovereigns at the rate of 10 rupees for 120 grains of gold of standard fineness, less seignorage."

I believe that these recommendations are safe and practical. They are the first steps towards a gold currency If they succeeded their usefulness would be too plain to require description. If they did not succeed, still no harm would be done. If in consequence we were to have any quantity of gold on our hands which could not be conveniently disposed of in India, we could use it for the remittances to England without loss, and perhaps even with profit.

60 But if after the adoption of such measures gold bullion should not be imported if sovereigns should not be received at the treasuries if doubt still existed as to whether the relative value of gold and silver is correctly determined by our present rating and coinage then I hope that the matter may not be allowed to drop If the present rating of 10¼ rupees and the present weight of 120 grains are not proper (as hitherto we have affirmed that they are) then what rate and what weight are proper? If the proportion of exactly 15 to 1 be not the proper one, as we have said it is then what is the proper proportion? Can any one really prove that it ought to be a fraction below, or a fraction above 15 to 1? Nobody supposes that we have offered too much silver for the gold then, if this offer be not the proper one is it really too little? Ought we to offer more? These are questions which as I submit, the Government of India ought to be able to determine. These are questions which have been determined by every civilized nation that has adopted a gold currency No doubt it is a difficult and important problem but it cannot be insoluble and it ought to be solved. If the enquiries which have been made and the data which are available, be not

sufficient, then let another commission be appointed, so that the matter could be brought to an issue one way or the other; and that all the facts and considerations could be brought up to date.

If the Government could now make up its mind that the introduction of a gold currency is among the real needs of the country and ought to be practically taken up, then I recommend immediately the appointment of a commission to investigate once more, and, as I should hope, finally the question of the relative valuation of gold and silver

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Note by George Dickson, Esq., *Secretary and Treasurer, Bank of Bengal, on a Gold Currency for India,—dated* 15*th January* 1872.

The question submitted for consideration is, whether it is expedient or inexpedient for the Finance Minister of the Government of India to move further in the attempt of having a gold currency in this empire

Since the subject was considered by the committee in India, presided over by Lord Sandhurst, it has undergone considerable discussion both here and in England.

The result, so far as I have read and ascertained, goes to deepen the conviction I have been privileged to express to you in former minutes, that the conclusions arrived at by the committee which sat in India are eminently sound and unassailable

Such being the convictions I hold, I reply to your enquiry (1) by saying that, in my judgment, the present is a favorable and opportune time for taking another forward step towards the accomplishment of what every one apparently so much desires

The chief difficulty is of course the inadequate supply of gold at present in the Indian markets, former supplies having either been absorbed for other purposes than those of currency, or exported to foreign countries It may be received as a sound axiom that no Government could seriously entertain the idea of changing its standard, or introducing an alternative measure of value, without a *sufficient* supply of the precious metals to fairly initiate the object in view

This being so, the question naturally arises, "When is India likely to have such a supply of gold at command as may enable the Government of India to change the standard of value, so as to cause the least disturbance in her internal and foreign relations?"

As India is neither a gold nor a silver producing country, the same causes which have operated in securing for her a continuous supply of silver will, in like manner, continue to draw gold to her markets, provided it finds a ready sale at a determined minimum value—a point more fully adverted to hereinafter As a rule, India has a large balance of trade in her favor, arising out of her commercial relations with other countries Although the adjustment of this balance is in part, effected by the Secretary of State's drawings on the Indian treasuries for home disbursements, and by divers causes more fully adverted to in other minutes, yet in the long run, a considerable sum must be discharged either in gold or in silver Further the business operations of the exchange banks, at a time when exchange rules high will have a very material effect in adding to our supplies of gold. Silver being legal tender in India at a value below which it cannot fall, the bulk of remittances in payment of her surplus claims is, for the most part, made in that metal. It is clear, therefore, that the causes which influence the movement of specie from one country to another affect gold and silver alike Without an act of Government declaring gold legal tender, it follows that some inducement must be held out to importers to insure them against loss resulting from a sudden fall in the price of gold in the markets of India. For, besides drawing her supplies from England India may safely look to another source for a fuller supply To balance her trade with Australia, England has a large amount to be paid to her in gold, and this gold instead of being sent direct to England, can often be more cheaply and profitably laid down in India for the purchase of claims on England. During several years past owing to a very limited import, and to a continuous adverse state of exchange, Australian and English sovereigns have commanded a much higher value than that assigned to them under the Government notification *viz*, Rs. 10 4

But, in the present upward tendency of exchange, owing to the unceasing development of the export trade, it is safe to assume that a very considerable influx of gold coin and bullion may again be looked for, and if so, prices will fall to the level of the Government rating

There is however ground for believing that the too restrictive nature of the notification authorizing the receipt of gold into the treasuries "only in payment of Government dues, and until further notice given at the option of Government," tends unduly to check that free importation of gold which might reasonably be calculated on under the influence of a high rate of exchange

I have no doubt public writers and critics, who profess to have a complete knowledge of Indian finance, and the requirements of India generally, will find all manner of fault with such "half and half measures and as being wanting in boldness," and will not fail to denounce them as being purely "imaginary* and unsubstantial."

* Discussions by the Indian Association in London.

I am in your recollection when I recall the proposals made by some authorities in 1868 for meeting the difficulty in the way of introducing into India a gold currency by raising the intrinsic value of the rupee I ventured to point out in my minute of 9th May of that year, that such a measure, if adopted would in effect raise all public salaries increase the amount of the public debt, and render necessary the alteration of the value of Government currency notes. I revert to the proposal so made because towards the end of the same year the Royal Commission appointed to report on an international coinage point out in very striking language, the evils likely to result from a proposal made to tamper with the value of the British sovereign, so as to make it identical with the French coin of 25 francs. The proposal roused such a very strong feeling in monetary circles in the city that ultimately it had to be withdrawn.

I wish to demonstrate, as clearly as possible, that, while the proposals which, with much deference I submit for your consideration, are progressive, and calculated to effect the object in view, they are at the same time, perfectly practical and safe, and, so far as Government is concerned, no harm is likely to arise, even should they result in complete failure.

The Secretary of State as you well know has to draw annually from the Indian treasuries a very large amount. Last year if I mistake not, the selling rate of his monthly drawings was so low as to entail a loss of £600 000 on the revenues of India. If owing to an absence of demand, combined with what I venture to call a very defective and injurious system exchange should fall to 1*s* 10¼*d* or 1*s* 10⅛*d* he must either continue to offer his bills in the London market or call for a specie remittance from this side, which could be made only in the form of silver coin or bullion. I need not enter into the results of such remittances and the prices realized but I may state generally that, making every allowance for reduced freight and insurance as compared with previous years the experience we have had in the past, with one exceptional case

shows that the loss is very nearly 7¼ per cent., or not better than a sale of the Secretary of State's bills at the rate of 1s 10¼d. per rupee. I think, these facts being admitted, it follows that, under the existing order of things, the Secretary of State has no means of counteracting the downward tendency of exchange to a point so low as even 1s. 10¼d, nor can you materially aid him from this side so long as things remain as at present.

Such, however, could not possibly be the case, were the Indian treasuries under the adoption of the measures proposed (and I may here observe—*take all in, but give out none*) in possession of either English or Australian sovereigns rated at Rs. 10-4 per pound sterling, or of bar gold purchased at the rates I have indicated

I submit, in corroboration of my argument, the following illustration. With the gold in possession, the Government of India could remit to the Secretary of State on the following conditions, taking the sum of £100 by way of example, *viz.* —

	Rs.	As	P.
Value of 100 sovereigns at Rs. 10-4 each	1,025	0	0
Freight and insurance, 10s and 1s 7d per cent. respectively	5	6	8
Add sundry charges, packing, &c	0	3	4
	1,030	10	0
Equivalent of a bill on India for £100 @ 1s 11¼d. per rupee	1,032	0	0
Difference ..	1	10	0

In other words, gold could be exported from India and laid down in London at a cost of Rs 3-1 per cent (taking the rating of foreign sovereigns at Rs 10-4), or at a difference of 4 per cent in favor of the Government of India, as compared with the selling rate of the Secretary of State's bills, as we have seen it, at 1s 10¼d

Without entering more fully into this part of the subject, it may safely be taken for granted—

I —That the introduction of a gold currency into India will, in every respect, especially as regards portability, be more convenient and advantageous than the existing silver currency

II —That, by the removal of certain existing restrictions, a supply of gold, sufficient to make the attempt to initiate the change, may reasonably be reckoned on in the present state of the money market.

III —That the proposed gold coin for India, containing 120 grains of standard fineness will not only be as near as possible to its intrinsic market value relative to silver, but any supposed injustice to the public creditor and any confusion in the mode of keeping accounts will be avoided All value as at present, will be expressed in rupees, all commodities bargained for in rupees the public accounts kept in rupees, and the currency notes left as they are only *payments* will be made in the new coin

IV —That, by declaring the English and Australian sovereign as legal tender at Rs. 10-4 along with the Indian one of Rs. 10 a large amount of ready made coin will always be available for immediate circulation at a great saving to India.

With regard to this last point, I may mention that an able writer, Mr F Hendricks, in an excellent paper on the Indian gold coinage, recently read before the Society of Arts in London, takes a great deal of trouble to prove that the proposed rating is not scientifically accurate or as he states it is ' unreal, imaginary and infected with error'

This point was not lost sight of by our local committee for although the English and Australian sovereigns have been rated at Rs. 10-4 with a view to avoid a more complex decimal proportion they are in reality intrinsically worth a little more relatively to the ten rupee gold coin of India.

The matter was before the committee in this shape, *viz*, that if a coin containing 120 grains of gold of standard fineness be worth Rs 10 a coin containing 123 274 of the same fineness ought, by the rule of proportion, to be worth Rs 10-4-4 383 but, to avoid complex calculations and because it would be more desirable to leave the functions of the currency to the Indian coin alone, should the small difference in the exact rating of the foreign sovereign ultimately drive it out of the circulation of India the committee did not deem it necessary to observe strict scientific rating I may also add that the very slight undervaluing of the English sovereign will not interfere with its *importation*, as

the difference is more than counterbalanced by the seignorage to which gold bullion is subjected under our mint regulations, while the mintage in England is free

The objections of these gentlemen were directed against the proposed coinage for India, in the hope that India might be induced to fall in with the proposed scheme of an international coinage, for, says Mr Hendricks—

"Fortunately for the prospects of an international coinage for India, it may be considered, in conjunction with the proposal of Mr Lowe, to reduce the British sovereign to the extent of 0 87813 per cent, in order to make it identical with 25 francs of gold"

It would be a mere waste of time to enter on such a *mare magnum* as the advantages or disadvantages of an international coinage No doubt, if all the nations of the globe were in a position to commence life anew, they would be at liberty, and might arrange, to mould their currency in such a fashion as to establish a uniform standard of value.

It will, however, be more profitable to deal with facts as we find them, and turn them to the benefit of India if we can I have already adverted to the fact of Mr Lowe's proposal having been abandoned, and I shall now point out that the question of an European international coinage, instead of being nearer solution, has been practically removed further away by the recent action of Germany

As illustrative of the latent danger to India in relying on help from extraneous sources, I quote the points for discussion submitted to the Royal Commission on International Coinage, and signed by Lord Halifax

Suggestions of points for discussion by the Royal Commissioners on International Coinage

"In order to establish either—

"I —A common international coinage, or, if that should be impossible,

"II —That, at any rate, one or more coins of universally recognized fineness and weight should be struck in different countries, forming part of the currency of each country, and being a legal tender and common standard measure of value in such countries,

"it must be determined—

"1 Of what metal such coin should be made

"2 What proportion of alloy it should contain.

"3. What weight and dimensions should be assigned to any such coin or coins.

"4. What security could be afforded that the actual value of the coin struck in each country should always correspond with their denominational value.

"5. What deficiency in weight should exclude a coin from circulation

"6. What authority it is necessary to establish in each country for withdrawing light coins from circulation.

"7 Whether any limit should be imposed on the amount of such coins to be struck in each country

"8. Whether it would be necessary that in each country some one coin should be struck *identic* (*sic*) in fineness, weight, and dimensions, and, if so what coin would be the best common coin to adopt for the principal nations of Europe and America, regard being had to the coins already existing in the different countries.

"9 Whether any and what mintage or charge for the manufacture of the coin should be taken.

"10. Whether any and what regulations as to the subsidiary coins in each country are necessary

If the above questions can be answered satisfactorily it will remain to consider with reference to this country—

"1. What change would be necessary in our existing coins.

"2. What effect such change would have—

"*a* On the public revenue:

"*b* On existing contracts and engagements, public and private

c On current commercial transactions:

d On the ordinary operations of trade and interchange of commodities

"*e*. On the general convenience of the public.

"3. In what time a change of the existing standard coin could be effected

"4. The cost of such change if no mintage is charged.

"5. What provisions should be made as to the existing coins during the change.

"Finally whether the advantage of a common international coin overbalances the inconvenience of the change."

HALIFAX.

It is enough, for my present purpose to state that the conclusions of the Royal Commission are dead against the proposal to reduce the value of the pound sterling to 25 francs, on the ground mainly that it would disturb all existing obligations, and cause many and serious difficulties detailed in their report, and shadowed forth in the note bearing the signature of Lord Halifax.

That the course followed by Germany in having a coin suited to her own wants, usages, and necessities is the safest and most practical course, I will endeavour to prove in as few words as possible Germany, under a silver standard of value now in process of being changed, has the three following principal coins in circulation, *viz* .—

The Prussian thaler, valued @	2*s* 11*d*	in sterling
The gulden, „ „	2*s*.	„
The Nassau gulden, „ „	1*s* 8*d*	„

The new gold coins proposed, and being struck now, are—

20-mark piece (gold), value 19*s* 7*d* in sterling, and equal to $6\frac{2}{3}$ thalers

1-mark piece (silver), value $11\frac{3}{4}d$ and equal to $\frac{1}{3}$ thaler

It does not strike one at first sight why the ratio of 20-mark piece to the thaler had not, under the new arrangement, been made less complex, but as I am not in possession of the reasons which induced the adoption of this particular proportion, it is probably the best that existing circumstances could admit of, and carried out with the view of changing at an early period the unit of value from thaler to mark

The German Government have thus acted without reference to the relative weight of the sovereign, 25-franc piece, or any other *foreign* coin whatever

I give the illustration as being the latest, and one that falls under our own observations

But suppose you were to listen to the theories of those philosophers, who so strongly insist on the adoption of an international scheme as the only one suited to India, I have had the following calculations worked out, and here is the result Suppose (the 25-franc scheme being abandoned) India were to assimilate her gold coin of 120 grains to the English sovereign of 123 274, which has been valued, as already explained, at Rs 10-4, and suppose we go further and adopt another of the current theories, *viz*, a decimal system of coinage, the existing rupee of 180 grains would require to be increased in weight to 184 5 grains, so that it may represent the one-tenth part of the sovereign, and, in order to complete the whole process, the copper token, which now denotes one sixty-fourth part of the rupee, would have to be so altered as to represent one-hundredth of the new rupee Nothing apparently is more simple

than to have in this way both an international coinage and the decimal system for have we not thereby a gold coin corresponding in every respect to the English sovereign and a silver rupee representing the one-tenth part of the sovereign, and the copper token the one-hundredth part of the rupee?

But, as a matter for practical working (apart from all other objections), let us take the two following examples

I.—A maund of gram, under the existing currency sells at Rs. 2-2, how much will the buyer have to pay with the proposed new rupee?

II.—You have to pay a balance of wages to your servant of Rs 7 9 6, what sum measured in the new rupee is he entitled to?

They may serve as arithmetical puzzles for the amusement of an expert accountant and even in time probably, the public might find out that, as the value of the rupee has been increased by one-fortieth part, so has its purchasing power increased in proportion and that to pay for the gram in the new coin one must deduct a one forty first part of 2 new rupees and a one forty first part of 12 5 cents, the latter being equal to the two annas. I write all this with a full knowledge of my second letter of 9th May 1868 wherein I advert to the process of converting the Sicca into the Company's rupee to which I would respectfully refer you I would only venture to repeat that, as I stated in my first letter of 9th May 1868 —

"Any alteration in the standard of value, I do not mean from one measure of value to another; *e g.*, from silver to gold or gold to silver but a lowering or raising its established value in relation to other commodities, is calculated to throw every thing into confusion. I think the experiment would be a dangerous one; and I have a strong feeling about leaving alone the present measure of value *viz.*, the rupee There is no necessity for disturbing it, and any attempt to tamper with it would, in my judgment, be very hazardous On every consideration it appears more desirable to rate the English and Australian sovereigns at Rs. 10-4, and to coin new sovereigns or gold pieces for India containing 120 grains, which will be an exact multiple of our present rupee Thus you will leave your present measure of value untouched, you will admit the English sovereign of 123·274 *pari passu* with the Indian one of 120 grains, you have besides your mohur of 180 grains, your half-sovereign and your half rupees."

I would not venture to recall to your mind these sentences, were it not that I know you have a strong desire to give India the benefit of a

gold currency, and because I believe that, if successfully carried out, a great question will have been finally settled during your administration of the finances. At any rate, my very humble views as to the real *practical* mode of dealing with such an important question have received a strong confirmation (1) by the rejection, by the first authorities alive, of the proposal for altering the value of the English sovereign, and (2) by the adoption by Germany of a gold coin of her own, unlike that of her neighbours

One other aspect of this important matter I venture to submit for your consideration. It is an admitted fact that, in the mutual intercourse between two countries, the one having a gold and the other a silver currency, more frequent and wider oscillations in the rate of exchange do occur than between countries where the currency is alike in both. Take the case of England, with a gold currency, having a claim upon India where silver only is current. India must either pay in silver, which has no determined value in England, except as an article of merchandise liable to the fluctuations of the English market, or India must pay her debt in gold, of which she has but a scanty supply, and for which, therefore, she will most likely have to pay a high premium. The same considerations will apply in the reverse case Either way the rate of exchange will be governed with a due regard to the cost of remittance, and the probable loss on specie shipments Looking to the present magnitude of England's special claims against India, and the prospective increase thereto by reason of large additional loans being needed for railway extension and irrigation purposes, the interest on which will fall to be added to the already overgrown amount of the Secretary of State's yearly drawings on the Indian treasuries, I have no hesitation in saying that, under the operation of the proposal submitted for adoption, India will at least possess a powerful corrective of the rate of exchange ruling in the London market, even should the Secretary of State withhold his sanction to making gold legal tender in India.

I might enlarge on the importance of the question from this point of view to the finances of India, but I will not weary you It is clear to me that the equilibrium between the revenue and expenditure of India is closely bound up in the rate of exchange between England and India It is a fallacy to suppose that by raising a loan in England at a fixed rate, say 5 per cent, India pays an annuity on the amount at that rate only and no more So long as the interest is payable in ster-

ling in London, and the Secretary of State has to sell his bills payable in rupees, which he can seldom do without loss, the rate of interest, so far as the revenues of India are concerned, is much over 5 per cent. If the present system is to be continued during the progress of the works and until they become productive, the revenues must bear not only the loss of interest but also the loss in exchange, hitherto expressed at 1*s* 10*d*. per rupee in contracts between Railway Companies and the Secretary of State

In conclusion, I presume to say that it is a sound maxim for the statesman, as well as the man of business not to embark in any scheme from which a creditable mode of escape does not exist, in the event of a complete or partial failure. Should the Secretary of State, while the experiment is being made for encouraging the importation of gold into India, decline to sanction its being declared legal tender, then you can request him to hold his hand for a time to send him a remittance in gold which I have shown to be worth 1*s* 11¼*d* per rupee at the mint of England.

On the other hand, should your action be successful, and should you thereby obtain a sufficiency of gold to initiate the proposed change with the full sanction of the Secretary of State, then any danger which may possibly arise from an excessive accumulation of gold in the Currency Department and the Government Treasuries will at once be removed.

My remarks on the contemplated issue of a five-rupee legal tender note I reserve in the meantime

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Second Note on the Indian Gold Currency by GEORGE DICKSON, ESQ *Secretary and Treasurer Bank of Bengal,—dated 7th February* 1872

SINCE I wrote the minute of 15th January, the Financial Secretary has been good enough to place in my hands the official minutes of the Council of India, bearing date the 30th January 1800 Mr Chapman has, at the same time, asked me to consider carefully the objections raised by the Honorable John Strachey as to the soundness of the conclusions arrived at by the majority of the Council

If I now attempt to do so in a spirit of fairness, I hope it will be clearly understood that I venture to give expression to opinions in aid

of those who are much more competent to deal with the subject than I am, solely with a view to the solution of a very difficult and important subject. I must, however, confess that I have been much impressed with the force and ability displayed in Mr. Strachey's paper Though his reasoning has failed to produce conviction in my mind, that the measures adopted by the majority of the Council were in the least ill-advised, I agree with him, in principle, when he says that it would be extreme infatuation for Government to adopt any measure which deliberately aims at the contraction of that portion of the circulating medium which is most required for the purposes of the commerce of the country. Being fully convinced, however, of the soundness of the views expressed on the other side by His Excellency Lord Sandhurst and yourself, I shall with much deference endeavour to prove that fundamental errors underlie the whole of Mr Strachey's argument It may, perhaps, be more convenient to state in this place that I concur in the opinions expressed by Lord Sandhurst and Mr Strachey regarding the proposals of the Mint Masters

Without referring at any great length to the various reasons adduced by Mr Strachey in support of his objection to the rating of the English and Australian sovereign at Rs 10-4, I take up the main arguments only, to which, in fact, all the others are reducible—

I —That the rating will not attract sovereigns to the treasuries, because Rs 10-4 is below the average market price

II —That if, notwithstanding this low rating, sovereigns do come into the treasuries in large amounts, they will not pass into circulation with silver coins, because the relative values of gold and silver, as fixed by the Indian Act of 1835, and to which valuation the Notification of 28th October 1868 closely adheres, differ, in their respective proportions, from the relative values of the same metals which have prevailed in the markets of Europe

At first sight, the experience of the few years which we have had since Mr Strachey's minute was penned, would seem to confirm the conclusion at which he has arrived, *viz*, that the sovereign has a higher value in the Indian market than Rs 10-4, for it is perfectly true that the average market price has been Rs 10-8 But bearing in mind the fact that gold has no legal currency in this country, I affirm that the

market price is no sound or true criterion of its ultimate value. In discussing this important point we must go back to first principles. Much of the confusion that envelopes the question, and has led many authorities into error, is, I think, clearly traceable to a non-appreciation of the very point raised in Mr Strachey's paper

It is singular enough that, although Mr Strachey supports his own conclusions upon the authority of Mr Arbuthnot yet the very passage quoted by him from the minute of the latter goes likewise to prove what I have here advanced. I quote Mr Arbuthnot —

"*Although the* ultimate value of gold and silver must, as before *observed*, be derived from the value of the labor employed in their production, their immediate price is governed by the law of *supply* and *demand* to an extent, and sometimes for a prolonged period of time, exceeding that which applies to other commodities."

I might cite many authorities in support of the general soundness of Mr Arbuthnot's argument, but I will content myself by quoting the following from Tooke on Prices page 13, Vol. I —

"All that can be said, therefore, in general terms, is, that a deficiency of supply is commonly attended in the case of corn more than in that of most other articles with an advance in price *very much beyond* the degree of the deficiency The process by which the rise beyond the proportion of defect takes place is the struggle of *every one* to get his share, of *which there is not enough or so much as usual* for all."

Again, page 17—

"While the fact, indeed, and the reason of the fact, that, as relates to commodities generally, and to corn more especially a deficiency of *quantity* produces a great relative advance in price, has been repeatedly noticed, and variously illustrated by several writers, the converse of the proposition, *viz.*, that an excess of quantity operates in depressing the prices of commodities generally but of corn more especially in a ratio much beyond the degree of that excess, was little noticed until the report of 1871"

Lastly, as bearing strictly on my argument, I quote (page 204)—

"Silver is as readily obtained and sent to this country (England) if the *exchange* answers, as gold. There is always a market for silver in this country for any quantity and the utmost variation in the market price is very trifling; but for this variation, trifling as it is, the merchant shipping it obtains a corresponding abatement in the price."

The soundness of the principle first adverted to—supply and demand against the market price—being beyond dispute, it is abundantly clear

that the present high market price of sovereigns is due to the supply being unequal to the demand during a period of exclusively low rates of exchange. Let, however, the supply be equal to the demand, and the market price of the sovereign will soon fall to its ultimate value As illustrative of the fact that the rate of exchange is intimately bound up in the question, I recall to your memory the fact that, in 1864, a high rate of exchange brought us an over-supply of gold, and the market price of the sovereign fell to Rs 10, and that a deficient supply in 1870 and 1871, with low exchanges, caused the price of the sovereign to touch Rs 10-12 These fluctuations in the market price, arising from extraneous causes, are therefore not a safe guide for determining the ultimate value of gold measured in silver His Excellency Lord Sandhurst most forcibly shows that, by following the market price, the Government of India made the mistake, in 1864, of issuing a notification which soon became a dead letter

It may, perhaps, be asked what are the causes which operate against the supply of gold being equal to the demand, seeing that the high prices recently obtained in the market are apparently remunerative? I would reply that as gold has no place in the currency, not being legal tender, any demands which may arise for it are beyond the reach of accurate calculation as to their range, and the fear of an over-supply, and consequent fall in the market price, deters importers from operating largely In short, unless the question can be solved on surer grounds, discussion will, I fear, land us in as great a maze as opposing views on the subject of free-will or predestination are apt to do.

I come now to the second and more important point already adverted to and put by Mr Strachey thus —

> "The real question is, whether the rating of the value of gold and silver under Act XVII of 1835 is a proper rating to accept for a new Indian gold coinage which should have a reasonable prospect of remaining current

I would follow the reasoning of Lord Sandhurst in reply, and, to my mind, it meets most effectually the points raised by Mr Strachey. If I now attempt to put forward similar views in my own way, and from my own point of view, I may, perhaps, help to throw additional light on the subject

When treating of the precious metals as articles of merchandise, it is necessary to bear in mind that their importation is not wholly determined by considerations of profit and loss The importation of gold or silver is resorted to, chiefly in discharge of obligations which one country owes

to another, when bills of exchange are not available for the same purpose, or when the premium demanded on such bills is in excess of the charges on specie shipments. This being so, it follows that the same considerations which would lead the British merchant or banker, who has a debt to remit to India, to prefer specie to bills of exchange, would also induce him to give the preference to gold or silver, just as the one or the other appears to him to be the cheaper remittance.

Before applying this principle to actual facts, I notice that Mr Strachey (§12) when discussing the relative value of gold and silver under Act XVII of 1835 quotes, with perfect accuracy, the appendix to the blue book issued by the Indian Commission of 1867, and he fairly points to the fact that the price of silver in London in the early part of 1864 was 5*s* 2⅜*d* and a few months before the submission of the report in 1867 it stood at 5*s* 2½*d*, he then adds—

"If these had been the prices which have commonly prevailed, the conclusion stated in the passage which I have quoted from the late despatch to the Secretary of State would have been fully justified but, unfortunately these high prices of silver have been altogether exceptional."

He afterwards goes on to show that the average price of silver had been 4*s* 11¼⅜*d* for 25 years and the average value of gold to silver 1 to 15 604 and for a further period from 1844 to 1865 the average price of silver was 5*s* 0⅝*d* and the value of gold to silver 1 to 15 358, but that since July 1866 to the date of his minute the price had never gone above 5*s* 1*d* This, again is followed by a table of reference furnished by the Financial Department showing the relative proportions of gold and silver at various fluctuating rates.

I must here admit that if any error occurs in the tabular statements of the Appendix to the Report of the Indian Committee, the blame chiefly rests with me as I was at no little trouble to aid in their compilation from Parliamentary and Mint Returns, as well as other available sources and among others, from Mr Tooke and the Bankers' Magazine. It comes after all to this, that the best sources of information vary in their results when averages are cast. I have however, at present the advantage of writing at a date considerably later than when Mr Strachey wrote and I quote from the Appendix to the blue book of the Royal Commission on International Coinage the annexed table —

Statement showing the price of Silver in London in the years 1856 *to* 1865.

BULLION OFFICE,
BANK OF ENGLAND,
July 1868

PRICE OF SILVER PER OUNCE STANDARD.

				Lowest.	*Highest.*
1856			.	60½	62¼
1857			.	61⅜	62⅜
1858			.	60¾	61⅞
1859		.	.	61¾	62⅜
1860				61¼	62⅜
1861		.		60⅛	61⅜
1862	.			61	62⅛
1863		.		61	61¾
1864	...	...	...	61	62½
1865	.		..	60½	61⅞
		Total		609¼	620⅞

Average medium price 61½*d*

I quote it at length to show the danger of relying on averages *as a sole guide*, for it clearly appears that in *every year* between 1856 and 1865 the price of silver per ounce standard in London exceeded 5*s* 1⅜*d*, and that the average medium price was actually 5*s*. 1½*d*, giving the relative value of gold and silver as 1 to 15 34 Mr Strachey unquestionably shows, by taking the quotation in London at 5*s* 0⅜*d*, that the actual relative value of gold and silver in London is 1 to 15 52, while under the Indian Act it is only 1 to 15, and that, according to the actual rate in London, Rs 10 are equivalent to 106 76 grains of gold, whereas according to the Act they are equivalent to 110 grains, and finally that, according to the market rate, a sovereign is worth in London the quantity of silver contained in Rs 10-10-1, but according to the Act it is worth Rs 10-4-4 I respectfully submit, however, that the argument being unsound in its inception, the superstructure raised on it crumbles to pieces, as I shall endeavour to show hereafter

What I have ventured to adduce against Mr Strachey's argument, and his calculations based on the prevailing price of silver at the date of his minute, is forcibly confirmed by Lord Sandhurst in pages 92 and 93 of his minute

Reverting, however, to the subject of the precious metals as articles of merchandise, I would desire to refer to facts occurring under our own eyes

The present dearness of money has caused a rise in exchange, and specie remittances have consequently become more profitable than bills. The latest quotation for bar silver in London being 5*s* 1*d* per ounce, let us see what rate of exchange it gives when coined into rupees in India

Former estimates give the charge of laying down silver in India at 8¼ per cent., but as more active competition, and the opening of the Suez Canal, have caused considerable reductions in both freight and insurance the present rate may safely be taken at 1¼ per cent. only (*see* afterwards as to cost of sending gold)

The actual result is as follows —

	£	s	d	
Cost of an ounce of silver	0	5	1	
Freight, insurance, brokerage, and packing charges	0	0	0¾	
Loss of interest during process of coinage, say 10 days at 6 per cent. ..	0	0	0	125
TOTAL COST ...	0	5	1¾	125

	Rs.	A.	P
Outturn of an ounce of standard silver containing 444 grains fine, into rupees containing 165 grains fine ..	2	11	0
Less seignorage at 2 per cent. ..	0	0	11
NET OUTTURN ..	2	10	1

In other words, £ 0 5-1¾ 125 being equal to Rs 2-10 1, the rate of exchange per rupee is 28¾ 10*d* It follows, therefore, that when the exchange on India is above 23¾*d* per rupee, and the price of silver in London is 5*s* 1*d* per ounce a remittance in silver is more profitable than bills. Mr Strachey's example and illustration of silver at 5*s* 0¾*d* is entitled to equal weight with my own, but, after all it only comes to what I have said over and over *again that the relative* values of the two metals, notwithstanding periodical fluctuations do very soon adjust themselves to each other

But to follow out my argument let us see the result if instead of silver sovereigns were remitted to India, and which the Indian Committee have rated at Rs. 10-4

	£	s	d
Value of 10 sovereigns ...	10	0	0
Freight, insurance, and packing charges, say, to be safe, ⅞ per cent. ..	0	1	9
N B—I so far modify former estimate, because in the case of sovereigns there is a saving of brokerage, as well as of the loss of interest incurred in the case of silver during the process of minting, apart from the saving on shipping and landing charges as compared with the more bulky silver remittance of an equivalent amount	10	1	8

	Rs.	A.	P
Value of 10 sovereigns in rupees at the rate of Rs. 10-4 ...	102	8	0

showing the rate of exchange to be 23½ 4*d* per rupee.

Such is the nicety of calculation which guides the importer, that, at the moment I write, we find both gold and silver coming into our markets; for, in comparing the rate of exchange on a remittance of silver bought in London at 5*s* 1*d* per ounce and coined into rupees in India, with the rate on a remittance of sovereigns valued at Rs 10-4 per £ sterling, we find only three-tenths of a farthing in favor of silver, a difference too minute to affect the importation of the ready-coined sovereign.

I trust I have shown sufficient grounds for establishing the fact, that the rating of the sovereign at Rs. 10-4 is a sound and scientific rating, when the fact is kept in view that the price of silver per ounce standard in the London market, from 1856 to 1865, a period of 10 years, never fell, at the highest point, below 5*s*. $1\frac{3}{8}$*d*., and sometimes touched 5*s* $2\frac{1}{8}$*d*, 5*s* $2\frac{3}{8}$*d*, and 5*s* $2\frac{1}{2}$*d*, and that the average medium price during that period was 5*s* $1\frac{1}{2}$*d*.

The rating at Rs 10-4 is, moreover, in strict conformity with the provisions of Act XVII of 1835, which declared the relative values of the gold mohur containing 165 grains of fine gold, and the rupee containing 165 grains of fine silver to be as 15 to 1 Mr Strachey argues that the English and Australian sovereigns proposed to be issued under the authority of Act XVII of 1835 will not remain in circulation, because the relative values of gold and silver have not been fixed in the proportions commonly obtaining in the West Mr Strachey, however, has not given or shown what that proportion is, and I may say that, had he attempted to do so, he would have found it no easy matter, for this reason In London, where gold has a *fixed value*, and silver a marketable price, the relative value of the former to the latter will be less or more just as the price of silver happens to rise or fall The various tabulated statements clearly bear out my argument, and I have only to illustrate it by a very short example, thus —

When the price of an ounce of silver in London is 5*s* 3*d*, the relative proportion of an ounce of gold to an ounce of silver is 14 96 to 1, but when the price is only 5*s*, the relative proportion is 15 71 to 1

The same rule will hold good in all countries where gold has a *legal value* and silver the price of an article of merchandize only But is the currency of India and the conditions under which she obtains her coined money analogous to those of England that, as a rule, the relative value of gold and silver in the former should be determined by the relative value of gold and silver in the latter ? England, we all know, has a gold

currency, and the English public obtains the sovereign free of mintage India has a silver currency, and the Indian public obtains the rupee at a charge of 2 per cent and then only after a delay of (say) 7 to 10 days.

I may be permitted to mention here that as a matter of fact, India obtained more silver of late years from China and elsewhere than from England. I do not, however mean to enforce this as a reason against the London price alone being followed in determining the relative values of gold and silver But to resume my argument I am prepared to admit that an ounce of gold, £3 17 10½, and an ounce of silver bought at say the average medium rate of 5*s* 1⅛*d* already quoted and both laid down in India, ought to bear the same relative values as at the port of embarkation, because the cost of transmission will be nearly the same in either case, though as already shown, the charges for silver are somewhat higher But at this point, our divergence begins. For when one of the two metals is manufactured into coins or when both are manufactured into coins, they do *not* continue to retain the same rélative value. In the former case the value of the metal manufactured is increased by the cost of manufacture and by its assuming the character of money In the latter case the silver coin is relatively more valuable than the gold coin by reason of the additional seignorage, and the comparatively greater time consumed in its manufacture. Upon the same principle a piece of silver containing 165 grains fine has *not* the same purchasing power as the rupee, simply because new elements of value have been imparted to the latter

It is perfectly true as stated by Mr Strachey that the relative values of gold and silver in London when the latter sells at 5*s* 1*d* per ounce standard are as 15 45 to 1 But on the same basis and by parity of reasoning it is equally true that the relative values of the 15 rupee gold mohur, which contains 165 grains of fine gold and the silver coin which contains 165 grains of fine silver are not far from 15 to 1 For the sake of greater clearness I give the following example *viz* —

	£ *s* *d*
An ounce of gold (containing 440 grains fine) laid down in India costs in London	3 17 10½
Freight and insurance as before at ⅞ per cent ..	0 0 8
Seignorage at Indian mint for coinage	0 0 9
£	19 3½

An ounce of silver containing 111 grains fine costs in London £ 0-5-1

	£	s	d
Cost of 110 grains, say . .	0	5	$0\frac{1}{2}$
Freight and insurance as before at $1\frac{1}{4}$ per cent	0	0	$0\frac{3}{4}$
Seignorage at 2 per cent. and loss of interest during coinage . . .	0	0	$1\frac{1}{2}$
	0	5	$2\frac{3}{4}$

Relative value . $\left\{\begin{array}{llll} \text{Gold} & 3 & 19 & 3\frac{1}{2} = \\ \text{Silver} \;.. & 0 & 5 & 2\frac{3}{4} = \end{array}\right\} \dfrac{15\ 16}{1}$

Again, the relative proportion would only be 15 02 to 1 were sovereigns to the value of an ounce of gold substituted for the bullion, because in this case there would be no seignorage

I do not offer it as an attempt to solve the reasons why the Legislature of the day fixed on 15 to 1 as the proper adjustment of the ratio of gold to silver, but I do think that they had not lost sight of the fact that, under the Indian mintage rules, new elements of value attach to the precious metals after being converted into legal tender currency.

Be that as it may, it is clear that the difference between the relative values fixed by the Act of 1835 and of the relative values which I have brought out on the basis of Mr Strachey's example, when the price of silver in London is 61*d*, is, after all, not very material, and I think that a slight change either in the price of silver or in the charges of shipment will restore the equilibrium

Having shewn, then, that the relative values of gold and silver, as fixed by the Act of 1835, do not vary much from facts established hereinbefore, I deem it unnecessary to dwell on Mr Strachey's proposal to reduce the weight of the Indian gold coin from 110 grains of fine gold to 106 76 grains This valuation is apparently arrived at on the assumption that the relative values of gold and silver in India are precisely the same as they are assumed to be in London, *viz*, 15 45 to 1 I hope I have clearly enough demonstrated that the proportioned value is not applicable to India, even if the assumption were thoroughly correct

But before going into other arguments adduced by Mr Strachey, I notice (1) the statement that the actual cost of coining new gold pieces shews that, including the minting charge of one per cent, there will be an absolute loss of 1 42 per cent on the conversion of sovereigns at

122 5 grains into gold mohurs of *Rs* 15 at 180 grains Lord Sandhurst has already pointed out that the alleged loss brought out by Colonel Hyde's method of computation is imaginary I presume to think that I can establish His Lordship's opinion from actual facts.

I must, however, at once admit that the burden of proof lies on the Commission who recommended the rating of the sovereign at Rs 10 4 to shew that it does bear, as nearly as possible, the proportion of 15 to 1 This I have done in a former portion of this minute, and I now proceed to test the *accuracy* of the Mint Master's method of calculation supposing sovereigns from England and Australia were melted down and subjected to the Indian mint charge, thus :—

1 000 sovereigns purchased at Rs. 10-4 cost		Rs. 10,350
1 000 sovereigns, each containing 113 grains of fine gold	=113,000 grains	
will yield mohurs of 165 grains fine =	684 85	
less seignorage at 1 per cent	6 85	
Net mohurs	678	

shewing that every gold mohur costs only Rs 15 1 10 *after paying mint charge of 1 per cent*, or a *loss* of little over ¾ per cent instead of 1 42 as brought out by Colonel Hyde Let the following practical tests be tried at the mint.

I.—Let Government purchase 1,000 of the new beautiful dragon sovereigns (which, by the way, sell at 6 pies each under the price obtained for Australian*and other English sovereigns), send them to the mint for recoinage, deduct the seignorage of 1 per cent., and ascertain how much under 678 gold mohurs the yield is.

* Usual form of remittance from Australia and England in large quantities.

II.—Repeat the same process with 1,000 sovereigns from the first remittance received in sovereigns from *Australia* by any of the banks, give credit for the comparatively more valuable alloy, and ascertain how much short of 678 gold mohurs the yield is.

III.—Take a mixed sample of sovereigns which find their way, from Egypt and from other quarters, into the bazar, exclude light coins or those *approaching the minimum quantity of gold for which they are legal tender viz.*, 122 5 *grains* and ascertain how much short of 678 gold mohurs the yield is

I say *approaching the minimum quantity of gold* advisedly, for the simple reason that, if loss is apprehended, the sovereign can be laid down advantageously by Government in England where gold is legal tender if *not under* 122 5

I feel so confident of the results that I hazard the prediction that, in the three instances given, Government would gain, on the transaction, *at least* ¼ per cent

I do not follow Mr. Strachey's argument further on this point because he makes the admission that, in the event of *bar gold* being purchased, Government could obtain it in that form for coinage 1 per cent cheaper than the ready money sovereigns, and therefore that no possible loss could arise I contend, further, that every year that passes conclusively demonstrates the soundness of the conclusion arrived at by Lord Sandhurst's Committee, *viz*, that Rs 10-4 is a sound, scientific, and conservative rating, inasmuch as if a higher relative value had been fixed, the opposite and grave mistake would have been made of overvaluing gold and driving silver out of circulation With reduced freight and insurance since 1867, the English sovereign can easily be laid down in Calcutta at Rs 10-2, instead of at Rs 10-4-10, and from Australia at Rs. 10-2-7 44* against Rs 10-2-9, the rate taken by the Commission

* *N B* —Actual cost of shipment, two years ago, to Calcutta

With the prospect of fuller supplies of gold to our markets, the price of the sovereign has fallen in Calcutta from Rs 10-12 to Rs 10-7,† and in Bombay to Rs 10-6-9, and it appears clear to me that it will soon fall to Rs 10-4

† *N B* —Rs 10-6 on going to press

It is in this belief that, in my minute of 15th January, I have ventured to say that the present is a very opportune time for Government taking a further forward step towards the realization of what every writer on the subject considers a great boon to India

If I might venture to offer an opinion on the proposal submitted by Mr Strachey for the introduction of gold into our currency, I would say that, if adopted by Government, it would be in opposition to the declared opinions of our most eminent authorities against the practice of every European State, and against the course followed by America and France Even Holland, who first took the alarm after recent gold discoveries, has now reverted to the gold standard Lastly, the late Mr Wilson, although he opposed the introduction of gold into the circulation of India, admits

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1 000 sovereigns purchased at Rs. 10-4 cost		Rs. 10 250
1 000 sovereigns, each containing 113 grains of fine gold	=113 000 grains	
will yield mohurs of 165 grains fine =	684 85	
less seignorage at 1 per cent.	6 85	
Net mohurs	678	

shewing that every gold mohur costs only Rs 15 1 10 *after paying mint charge of* 1 *per cent* or a loss of little over ¾ per cent. instead of 1 42 as brought out by Colonel Hyde. Let the following practical tests be tried at the mint.

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II.—Repeat the same process with 1 000 sovereigns from the first remittance received in sovereigns from *Australia* by any of the banks, give credit for the comparatively more valuable alloy and ascertain how much short of 678 gold mohurs the yield is.

III.—Take a mixed sample of sovereigns which find their way, from Egypt and from other quarters, into the bazar, exclude light coins or those *approaching the minimum quantity of gold for which they are legal tender*, viz., 122 5 *grains*, and ascertain how much short of 678 gold mohurs the yield is.

I say *approaching the minimum quantity of gold* advisedly, for the simple reason that, if loss is apprehended, the sovereign can be laid down advantageously by Government in England where gold is legal tender if *not under* 122 5.

I feel so confident of the results that I hazard the prediction that, in the three instances given, Government would gain, on the transaction, *at least* ¼ per cent

I do not follow Mr. Strachey's argument further on this point because he makes the admission that, in the event of *bar gold* being purchased, Government could obtain it in that form for coinage 1 per cent cheaper than the ready money sovereigns, and therefore that no possible loss could arise I contend, further, that every year that passes conclusively demonstrates the soundness of the conclusion arrived at by Lord Sandhurst's Committee, *viz.*, that Rs 10-1 is a sound, scientific, and conservative rating, inasmuch as if a higher relative value had been fixed, the opposite and grave mistake would have been made of overvaluing gold and driving silver out of circulation With reduced freight and insurance since 1867, the English sovereign can easily be laid down in Calcutta at Rs 10-2, instead of at Rs 10-4-10, and from Australia at Rs 10-2-7 44* against Rs 10-2-9, the rate taken by the Commission.

* *N B*—Actual cost of shipment, two years ago, to Calcutta

With the prospect of fuller supplies of gold to our markets, the price of the sovereign has fallen in Calcutta from Rs. 10-12 to Rs 10-7,† and in Bombay to Rs. 10-6-9, and it appears clear to me that it will soon fall to Rs. 10-4

† *N. B*—Rs 10-6 on going to press

It is in this belief that, in my minute of 15th January, I have ventured to say that the present is a very opportune time for Government taking a further forward step towards the realization of what every writer on the subject considers a great boon to India

If I might venture to offer an opinion on the proposal submitted by Mr Strachey for the introduction of gold into our currency, I would say that, if adopted by Government, it would be in opposition to the declared opinions of our most eminent authorities against the practice of every European State, and against the course followed by America and France Even Holland, who first took the alarm after recent gold discoveries, has now reverted to the gold standard Lastly, the late Mr Wilson, although he opposed the introduction of gold into the circulation of India, admits

(Minute of 25th December 1859, Section 25) that if it is desired to have the use of both metals in circulation of full value as coin the transition period of a double standard is the mode in which the object can best be attained

Although I have in former minutes (*see* 7th May 1868, page 3, 9th May 1868 page 4 30th May 1868 *page 7 to the end, and minute* of 10th August of the same year) fully dealt with the question of supposed inconvenience to the teeming masses of India which may possibly arise from the adoption of the proposal now under discussion still as the Financial Secretary has again drawn my attention to the subject, it may perhaps suffice if I illustrate my arguments by showing the course followed by France and America under circumstances somewhat similar to our own

Before doing so however I may advert to another difficulty in the way of our being able to introduce gold into India through the establishment of an international currency

In England, since 1666 the expense of manufacturing the standard coin has been borne by the State.*

At the Royal Mint in Sydney a charge averaging about one per cent, and a delay in delivery of about 20 days is made

In France the mintage for standard gold is between $\frac{1}{4}$ and $\frac{1}{5}$ per cent and the delay which is variable brings the charge up to from $\frac{1}{4}$ to $\frac{3}{4}$ per cent

At the Mint of America (1867) the law now imposes on all bullion *a tax* of the half of one per cent., and a coinage charge of the same amount.

In Prussia the charge for coining gold is $\frac{1}{5}$ per cent

At the mints in India *there is a charge of one per cent.* on gold and of two per cent on silver with a delay in delivery of (say) ten days.

In France, by the law of 1803 five grammes of silver, nine-tenths fine were constituted the monetary unit retaining the name of a franc but the provisions of the law as to gold and also copper coins gave them a *legal currency and value independent of their relation to silver* The result of this legislation was that a double standard *was created* by law in France Silver, however, remained for many years the prac

* See Return from the Royal Mint to an order of the House of Lords, dated 17th February 1870, and embracing a period between 1851 and 1869 inclusive, "Loss on Coinage."

tical standard, but when, by the increased demand for silver for the East, the value of gold was depreciated in relation to silver, gold became practically the standard of value The silver coins, of which nearly the whole circulation consisted, were melted down and exported, and the country was put to the expense of a large coinage of gold If, by any increased production of silver, the value of silver should be depreciated, a change would take place in the opposite direction, and similar inconvenience would again be incurred (Report of Royal Commission, 1868, page 10) Again, in America, the value of the silver dollar has remained unchanged since it was fixed by the law of Congress in 1792, but the value of the gold eagle or 10-dollar piece was reduced in 1834 from 247½ grains to 232, and gold has now become practically the standard of the United States

Both in France and America, the silver coin and standard are to this day *retained*, according to law, as an alternative measure of value In England, the double standard ceased practically in 1717, and, by law, only in 1816 In Portugal, Turkey, and Brazil, a single standard of gold prevails Germany and Holland are at present in a transition stage, while, in the Northern States of Europe and in the East, there is a single standard of silver

As bearing upon the question of the danger arising out of the suggestion to rate gold above Rs 10-4, I may here advert to the fact that, in England, during the reign of James the First, the gold coin was *over-valued* by proclamation, and the result was the exportation of the silver coin, to the great inconvenience of the public

Having the examples of France and America before us, and further experience in guiding us to avoid the errors into which they were led, I need not dwell on this part of the subject much longer I would only beg the favor of your turning to minute of 9th May 1868, in which you will find described the reasons for which, in my humble judgment, it is politic and necessary to leave untouched our present measure of value, *viz*, the rupee, and its component parts expressed in lower denominations. I only quote the following sentences —

"I — The price of gold and silver is, like the price of every other commodity subject to the universal law of supply and demand, and it is *impossible* to fix their relative values with *exactitude*, or by an unchangeable decree, but the figures which I sent you yesterday give us *a starting point as near to equality as can be devised*

"II —The proposal for the introduction of gold, by the operation of the double standard, or a double legal tender, or alternative measure of value, under the conditions already adverted to, is not intended to have the effect of

bringing about a sudden, violent, or immediate change in the present standard of value On the contrary no change whatever will be made in the existing standard, nor will it, in any way be affected in value by the introduction of gold as a substitute in part, for a silver circulation It is quite clear indeed, that, for a time to come, silver owing to the smallness of transactions among the lower classes throughout the interior must continue to be extensively used."

N B—See also quotation in Minute of 16th January 1872, beginning "any alteration in the standard of value," &c., page 7

Every writer of recognized authority in times past and in our own day, gives the preference to a single gold standard. Should those who administer the finances of India see their way to introduce gold into the currency of India I know of no safer sounder and more just way than that set forth by His Excellency Lord Sandhurst, yourself and the majority of the members of Council, and which it has been my privilege, from deep conviction of its truly conservative and practical nature, to support to the best of my ability

The present generation may not see the time when it may be found expedient to demonetize silver in India but if those who now guide her destinies lay the foundation of a measure calculated to give to the people a more acceptable metallic circulation than exists at present, they will have done their part wisely and well. I conclude by reminding you that at a time when gold was now here a legal tender in India, except on the Coast of Coromandel and in a limited way in gold mohurs at the principal British settlements the relative proportion of gold to silver coined at the Mints in Calcutta and Madras was about one-fourth, whereas, since the Act of 1835 and the prohibition of 22nd December 1852 the proportion has been about 1 in 113 45, down to the end of 1864-65

I write in the midst of severe official pressure on my time and if I have not observed nicety and exactitude of expression you will I hope under the circumstances make allowances for me I now conclude as I began, by expressing my admiration of the great ability shown by Mr Strachey in his handling of the subject, and, if I have ventured to differ from him, I trust, should this minute ever come under his notice he will do me the justice to believe that I take so much trouble in the endeavor to meet his arguments because they are entitled to more consideration than any others brought to my notice and because I hold the views to which I have imperfectly given expression from mature and long conviction

BANK OF BENGAL, } GEO DICKSON
The 7th February 1872 } *Secretary and Treasurer*

[*See Letter from George Dickson* Esq *Page* 381]

Note by the Deputy Comptroller General, dated 27th February 1872.

The proposals of Mr Dickson appear to be well worthy of consideration, if it be once settled that the introduction of a gold currency into India is to be attempted by Government. The step he suggests, *viz*, that Government should undertake to exchange gold freely for silver, is probably the safest that could be taken if progress is really desired.

The experiment will not be fairly tried unless some pledge is given that the offer to exchange sovereigns freely for silver will not be revoked without reasonable notice. Importers of bullion will not dare to trust to an article that may be difficult to dispose of without loss, hence arises the danger that, if the measure do not succeed, Government may be compelled to continue to receive gold which cannot readily be paid away to persons having claims on Government.

But Mr Dickson shows that, in such a case, sovereigns could be sent home at a cost equal to an exchange of 1*s* 11¼*d*. Assuming these figures, Government might well accept the risk to a considerable amount, as the present state of the market promises no better rate for the ensuing year. I may add to his argument that the large balances now in Government treasuries make the experiment less hazardous this year than it may be at another time.

The measure would no doubt be acceptable to the banking and trading community in large towns. If the price of sovereigns were guaranteed in India, one element of doubt in cash remittances, *viz*, the varying comparative values of the standards—gold in England and Australia, and silver in India—would be removed. Coin could be obtained in London which would without charge for seignoirage or delay be as good as coin for India. The remittance would be more portable, and give in many ways less trouble. On the other hand, Government would lose the profit on coining, and might find the circulation of currency notes affected.

But, regarded from the point of view of the millions whose transactions never reach above a few rupees, it may well be doubted whether any measure tending to bring in gold as the standard of value can be considered an improvement.

E GAY

Note by the Financial Secretary, dated 27th March 1872

I do not feel called upon to add, more than is unavoidable, to the volumes that have been written on this subject already. I have read the

whole carefully and anxiously several times, and I do not flatter myself that I can adduce any arguments of weight which have not already been used. But, with much diffidence, I proceed to record my present judgment as requested by the Financial Member The subject must be divided into two great questions—

First—Is it desirable to make gold the standard of value in India?
Second—Will the measures now proposed by Mr Dickson further that object?

Upon the first great question, which really underlies the whole discussion, I find strange to say in all the papers very little but assumption. All *assume* that beyond all question, India is ripe for a gold standard yet I venture to say that even the enquiries of the Commission, though they establish formally the undoubted fact that gold is highly appreciated in India, do not throw much light upon the fundamental question of which I am speaking

Lord Sandhurst argues that according to the stage of advancement which a nation has reached, its currency should be iron copper, silver or gold but he does not attempt to prove that India has reached the gold' stage.

No doubt for a nation the average of whose transactions is sufficiently large, gold is by far the most convenient standard But it cannot by any means be assumed that gold is the proper standard for a nation whatever its stage of development. The most recent paper by eminent authority that I have seen is an article on ' Money" by Chevalier in the *Journal des Economistes* I find in it nothing more positive than this—"It appears that modern Europe tends to employ as money gold,' which is the dearer and rarer of the two metals" (gold and silver)

I cannot help thinking that if we now take any decided steps for introducing a gold currency into India, we shall be taking somewhat of a leap in the dark and it seems to me that even the advocates of a gold currency do feel some hesitation on the subject, and that this hesitation is manifest in their rather inconsistent advice They would have gold but they shrink from any measures involving a very decided drain of silver, though it seems to me clear that we cannot at the same time have both metals.

It may be accepted as an axiom, that gold and silver cannot both circulate in a community for long simultaneously as standards of value. So much has been said upon this point in these papers, and the truth is so universally accepted that I need not take up time in demonstrating

it—one metal will oust the other Supposing that the relative value be very exactly fixed, and that nothing supervene to disturb it, the process may be a long one (even that is not very likely), but it is absolutely certain that, in the long run, both metals cannot circulate as standards each at its full intrinsic value

Supposing, therefore, that gold become the standard of value in India, it will be absolutely necessary, sooner or later, in order to keep in the country silver coin enough for subsidiary purposes, to debase our silver coin Our silver coinage must bear a higher nominal than real value, in other words, must become a *token* coinage, or we should not keep enough for our wants

Now, whatever success may attend the introduction of a gold currency, a very large amount of silver will always, or at any rate for a very long time, be required for the purpose of currency in India It will be very long before the masses of the people will use a gold currency their transactions are far too small It follows that we shall have to substitute, for the use of the masses of our population, a token currency for the present full value currency Are we at all certain what the effect of this will be upon the ignorant population? Or how a silver token currency will work alongside of a full value Native State silver currency? Lord Sandhurst has at page 113 of the accompanying volume argued with great force against the attempt to circulate among the people bank notes or paper currency in any form "The people," he says, "hug the idea of intrinsic value in coins of the precious metals which will last for ever, which will be again found, if war sweep over the country and destroy all that is above ground" And again, "of all people in the world the population of India carries particularly and keenly into execution the principle that the money actually current is a commodity which must possess the intrinsic value it assumes to represent To them bangles are convertible into rupees and *vice versâ* Thus in some Native States the people refuse in their retail operations to take the British rupees without a slight discount, because they declare, whether rightly or wrongly, that the rude rupees supplied from the native mints have more of silver in them, or are freer from alloy, than the British rupee"— and much more, very forcibly put, to the same effect

Lord Sandhurst was arguing against the paper currency which he evidently felt to be a dangerous rival to gold I think he overdid the argument in various ways, and that experience has actually proved this But still there does remain great weight in his observations

Apparently, however, Lord Sandhurst had forgotten that he had already stated as a mere truism (page 04) that "a token coin merely means a metallic bank note" This is obviously true But then the whole of Lord Sandhurst s strong arguments against a paper currency become to the full as applicable against a silver token currency which must eventually be a *sine qua non* of a gold standard.

I do not think that sufficient attention has been given to this part of the subject and I would not recommend any very active or effectual steps being taken for the introduction of a gold standard until the effect upon the mind of the natives of substituting "metallic bank notes for the full value silver coinage to which they have from time immemorial, been accustomed and which they so highly value shall have been carefully considered and so far as may be enquired into

I can find nothing in the evidence given before the Commission to show that the witnesses who favored gold were aware that it would be necessary sooner or later if we introduce and keep gold, to depreciate the silver currency which must for generations to come at any rate, be the ordinary currency of the people. I confess that I myself am so apprehensive of what the effect might be that I should hesitate to take measures for adopting a gold standard until it be really forced upon us *At present* I venture to maintain that there is no demand whatever for a gold currency by any section of the community

There *was* a demand when Lord Sandhurst wrote his minute in 1865 During the American war the value of Indian cotton rose so enormously that the balance of the trade of India with the rest of the world was altogether disturbed and huge importations of bullion became necessary Moreover at that time the paper currency was little developed, and India was still borrowing money largely at home for railways &c Lord Sandhurst wrote his elaborate minute under the influence of that abnormal state of things perhaps under the impression that it would continue.

It may be admitted that *if it had continued* India would have been very soon driven to take much more gold than silver in payment for her exports. Silver in fact would not for long have been forthcoming for remittance to the East at the same rate, and a gold currency here would very likely have become a necessity But the moment the American war came to an end, the excess of our exports over imports fell from 10 to 13 millions and pressure ceased.

It may be that it is now again slowly coming on, though if we are able to abstain from borrowing, the process will be checked, and, in any case, we are not likely, for the present, to borrow as largely as we were doing However, sooner or later it may be that the demand for silver for the East may again cause inconvenience, and the price of silver may rise until imports of gold become more profitable Whenever that time comes, but not, I think, till then, it will be proper to take up the question of substituting a gold standard for a silver standard

For the present, though I admit that gold would be pleasant and convenient for the trading classes, I do not believe that the masses of the people have any desire for a gold *currency*, and even the great cities do not really greatly want it. The paper currency has largely supplied their wants A silver standard is as good a basis for paper as a gold standard.

Turn to the second question—What must be done if it be resolved to introduce a gold standard?

I answer there is really but one way of effecting the object Gold must be declared a legal tender and rated favourably

Mr Dickson's proposals are certainly most moderate He asks only that the Government shall, without declaring gold a legal tender, undertake to accept sovereigns at Rs 10-4 and Indian gold mohurs at an equal rating, *i e*, at par, in payment of all Government dues *and in exchange for currency notes, i e*, for silver, for currency notes can be exchanged for silver at once He does not propose to make gold a legal tender

Sovereigns are already received at our treasuries in payment of Government dues at Rs 10-4, so that the proposed innovation is really confined to making the sovereign exchangeable at the currency offices, and so, freely, for silver

I cannot recommend this measure being adopted I agree with Lord Sandhurst, who wrote on the 9th February 1869—

> "There should be no attempt at regulating the value of gold by further notifications, unless Government be prepared to concede the legal tender"

I cannot think it likely that Mr Dickson's proposed measures would have any effect Even with exchanges exceptionally high as they have recently been, the sovereign has never fallen below Rs 10-7, and no sovereigns whatever have been paid into our treasuries for three years How should they be with prices as they have been? It is clear, I think,

that sovereigns will only come to us at Rs. 10-4 when silver is worth in London 62 3*d* an oz., a price higher than we have seen for a very long time. I think that we should only expose ourselves to ridicule by making any further notification based upon the anticipation that this price will recur

Mr Dickson seems to anticipate some great effect from his proposal that the Government should accept sovereigns freely at Rs. 10 4 in exchange for silver but I fail to find in his papers any solid reasons for this expectation and I cannot but remark that this same high authority originally advocated the 10 Rs. rating, now admitted to have been a blunder

It may be that *some* effect would be produced by the security which Mr Dickson s proposal would give to importations of gold. Doubtless a still greater effect would follow if the law should declare sovereigns legal tender at Rs 10-4 But not even then can I see any good ground for expecting that people will offer to the Government, or to one another, that which is worth Rs 10 7 at Rs. 10-4

There have, no doubt been times when, with abnormally high exchange sovereigns have sold at Rs. 10 or even less and, should such a time recur we should get plenty of sovereigns paid into us at Mr Dickson s rate but first this is perhaps highly unlikely and secondly, if it *should* happen we should have placed ourselves in an awkward position by pledging ourselves to buy for Rs. 10-4 what would, in that case be worth much less.

I agree with Sir C Trevelyan and with Mr George Arbuthnot as quoted by him (page 163 of the volume) that *we ought not to receive gold coin in exchange for currency notes unless it is made a legal tender* I do not consider Mr Dickson s argument that we could always remit sovereigns at an exchange of 1*s* 11¾*d* a sufficient answer to the objection taken by Sir C Trevelyan and Mr Arbuthnot for supposing sovereigns to fall below Rs 10-4 in the market, exchange would approach 2*s* so that a remittance at even 1*s* 11¾*d* would involve a very heavy loss

Nor can I agree with Mr Dickson that we ought to take in all the gold we can get and give out none As I have said, in my opinion, we should at present get none at Mr Dickson s rating but supposing values to alter and gold to come in we could only follow Mr Dickson s counsel by maintaining high cash balances for this express purpose. It is of great consequence that in the matter of the cash balances, we

should embarrass ourselves with no consideration except the one consideration of what is the smallest sum with which we can work the administration It may be proper, occasionally, to have high balances with reference to loan operations and the like, but if we once begin to keep them for currency purposes, we embark, in truth on a course involving, unlimited cost in interest for very vague purposes Mr. Dickson, in fact, invites us to a large speculation in exchanges, and I cannot think this advisable

The figures which I put up show that gold *is* coming into the country very freely as things are. The proportion of gold to silver in our bullion importations of late years has been fully maintained, and the absolute quantities of gold imported have been large This process is going on naturally and satisfactorily, without the Government committing itself to any dangerous experiments, or to any calculations of value that may be proved (as our past calculations have been proved), by experience, to be wrong. I would not, at present, take any further steps In time, very likely, the large importations of gold that are going on will tell, and the price of gold in silver will fall until the rating of our coinage act is reached. When that time comes, or a little before, it would, very likely, be desirable, *if not necessary*, to declare gold a legal tender But I do not think that the matter is one for empirical treatment I would leave our present well alone

R. B. CHAPMAN

Value of gold and silver imported from, and exported to, foreign countries at ports in British India, in each year from 1850-51 *to* 1875 76

Years.	Gold.			Silver.			Total of net imports of Gold and Silver
	Imports.	Exports.	Net Imports.	Imports.	Exports.	Net Imports.	
	£	£	£	£	£	£	£
1850-51	1,155,310	2 016	1,153,294	2,656 496	539,278	2,117 225	3,270,519
1851-52	1 338,778	71,165	1,267 613	3 713,280	847,923	2,865,357	4,132,970
1852-53	1,341,106	168,805	1 172,301	5 490,227	885,203	4,605,024	5,777,325
1853-54	1,078,708	17 265	1,061,443	3,770,643	1,464,899	2,306 744	3,367 187
1854-55	832,721	151,431	731,290	1,145,137	1,115 537	29 600	760,890
1855-56	2,508,353	2,108	2,506,245	8,792,793	598,418	8,194,375	10 700 620
1856-57	2,176,002	84,788	2,091,214	12,237 695	1,164,448	11,073 247	13 164,461
1857-58	2,830 084	47 011	2,783,073	12,985,832	766,884	12,218,948	15,002,021
1858-59	4,437,339	10,886	4,426,453	8,379 692	651,350	7 728,342	12,154,795
1859-60	4,288,037	3,803	4,284,234	12,068,926	921,363	11,147,563	15,431,797
1860-61	4,242,441	9,872	4,232,569	6,434,636	1,106,627	5,328,009	9,560,578
1861-62	5 190 432	6,007	5 184,425	9,761,545	675,089	9 086 456	14,270,881
1862-63	6,881,566	33 410	6,848,156	13 697 401	1,077 244	12,550,157	19,398,313
1863-64	8,925,412	27 106	8,898,306	14,037,169	1,240,450	12,796,719	21,695,025
1864-65	9,875,032	35 068	9,839 964	11,488,320	1,409,522	10,078,798	19,918,762
1865-66	6,372,894	648,418	5 724,476	20,184,407	1,516 734	18 668,673	24,393 149
1866-67	4,581 472	739,143	3,842,329	8,655,432	1,692,360	6,963,072	10,805,401
1867-68	4 775,934	166,467	4,609,467	6,999,450	1,405,489	5,593,961	10,203 428
1868-69	5,176,976	17,624	5 159,352	9,978,978	1,377,956	8,601 022	13 760,374
1869-70	5 600,400	98,283	5,502,117	8,264,407	944,070	7,320,337	12,822,454
1870-71	2,785,975	500,453	2,285,522	2,661,237	1,720,318	941,924	3,227 416
1871 72*	3,573,778	8,434	3,565,344	8,007 525	1 487 209	6,520,316	10,085,660
1872 73	2,622,371	79,009	2,543 362	1,934,214	1,219 070	715,144	3,258,506
1873 74	1,648,807	266,169	1,382,638	4,143 796	1 847 902	2,405,894	3,878,462
1874-75	2,089,236	215,700	1,873,536	5 733,776	1,409 608	4,324,168	6,197 704
1875-76 (9 months)	1,421,056	48,127	1,372,929	2,483,682	1,464,481	1,019,201	2,392,130
Total	97,890,210	3,458,558	94,431,652	206,637,128	30,247,922	175,[illegible]89,206	269,720,858

Note by the Officiating Comptroller General, dated 28th March 1872

Putting aside theoretical arguments which can always be made to suit the views of the writer, I think the real consideration in this very large question should be whether, in the event of Government being able to introduce without ultimate loss to itself, a gold currency as a legal standard alongside of a silver currency, already a legal standard, the general public of the country require such an introduction. If we regard the bulk of the population, I think that the reply to such a question must be negative they rarely touch silver, and would certainly never touch gold; their wants are few, and (with the exceptions of their apology for clothing, which is supplied to them more cheaply from

* Four years' statistics added since the note was written.

England than from Native looms, and their few metallic utensils which they purchase once or twice only during their whole lives) are all supplied in their own villages To meet these wants, copper coin and shell tokens are principally used and found sufficient, while the ordinary wages of labor, even if paid once a month only, would rarely reach the smallest denomination of gold coin, and even if they did so, a payment in gold would but subject the recipient to a loss, as the coin, until converted into silver or copper, would be practically useless to him, and he would be obliged to have immediate recourse to the money-changer, at whose mercy he would be for terms of exchange

If we go beyond the bulk of the population, and consider those who are sufficiently well off to deal in large sums of money, we have a perfected system of paper money, which enables persons to pass money in a convenient form, and, by the facilities it offers for remittance purposes, serves as a wholesome check upon extravagant rates of inland exchange. I notice this particularly, because one of the strong arguments against a silver currency is its bulk, and consequent inadaptability for remittance, whereas it is urged that gold is easily moved, and involves a smaller cost in transport Many of the arguments against silver adduced in 1864 have proved to be fallacious thus, for instance, the present price of the metal in England as compared with the price in 1864 shows that the fear that Europe would become denuded of silver to supply the East was groundless My opinion is that it would be unadvisable to introduce gold into India as a legal tender, and that for many years to come we shall be doing as much as the country wants by supplying it to those who wish to receive it for their own convenience If we go beyond this, we shall, I think, inflict a hardship upon the public at large, and benefit no class except the money-changers

H SANDEMAN

Note by the HON'BLE SIR R TEMPLE, *dated 8th July* 1873

I much regret that His Lordship the Governor General does not find it possible to take up during this year the subject brought forward by my memorandum of the 19th June 1872, regarding the introduction of a legal tender gold currency into India But I desire to take this opportunity of recording my views as to the course which ought to be adopted by the Government of India in respect to this matter

I will not attempt to repeat the reasons given in the memorandum of June 1872 to show that a legal tender gold currency is among the real

needs of India. The belief or disbelief in the reality of this need is at the root of the matter If we firmly entertain this belief, then we shall address ourselves to the removal of the difficulties which are more or less inevitable in a question of this sort If we have not such belief, then it is not to be expected that such difficulties can be successfully combated Therefore, in June 1872, I began the renewal of the discussion by endeavouring to prove the existence of the need.

After adducing those reasons, I recommended that the Government should decide that a legal tender gold currency is needed that a Commission should be appointed in order to ascertain definitely what should be the rating for the relative value of gold and silver, that meanwhile certain subsidiary measures should be taken in order to attract gold in greater quantities than heretofore to the treasury in India.

I am still in favor of these steps being taken. I am far from sanguine that the subsidiary measures (which for facility of reference I extract in the margin) would, if adopted attract any large quantity of gold into our treasury, indeed, I rather fear that they would not, for the present at least. But they are at least safe, and at the worst could do no harm. And in one particular way they could hardly fail to do good. For, either they would attract gold, or they would not. If they did, then the fact would afford proof in addition to any proof already existing, that the rating of Rs 10 for the 120 grain gold piece, or of Rs 10½ for the sovereign, is a correct and adequate rating, corresponding to 15 to 1, and that by offering this rate we are offering enough silver for the gold. If they did not attract gold, then the fact would afford additional ground for the opinion that the above rate is not quite enough that instead of the proportion 15 to 1, the proportion should be 15 and a fraction to 1

"I. To authorize the receipt of English and Australian sovereigns into all the Government treasuries of India without restriction, and whether tendered in payment of Government dues or in exchange for silver

II In conformity with the provisions of the Currency Act, to authorize the issue of Currency Notes in exchange for gold bullion tendered at the mint for coinage into Indian gold sovereigns at the rate of 10 rupees per 120 grains of gold of standard fineness less seigniorage."

Even if the Government of India is not prepared to take any other step, I should still ask that these two steps be taken in order to contribute something towards the solution of a difficult question.

In regard to the proposal to appoint a Commission to investigate again the relative valuation of gold and silver, I desire to explain further the object of this enquiry

A Commission was appointed in 1866 by the Government of India to examine this point among other points relating to the currency of India.

They reported that the rating of 10¼ rupees to the sovereign, or Rs 10 to the 120 grains, was the best that could be arrived at, and that this corresponded with the rating embodied by Act XXVII of 1835 (since incorporated with the Consolidated Currency Act, XXIII of 1870), they cited much important evidence to show that gold from Australia could be laid down in India at this rate

At that time, 1866, a rate of Rs. 10 was being offered by the Indian treasury for British or Australian sovereigns, but no permanent success was obtained, and the prohibition of 1851 against the receipt in the treasury of gold pieces of Indian coinage was maintained In 1868, however, the Government of India notified that sovereigns would be received at the treasury in payment of sums due to Government at a rate of Rs 10¼, and that the gold pieces of Indian coinage would be received at the treasury in exchange for their respective sums of silver These steps were in accordance with the recommendations of the Commission, and the hope was that, by these means, a fairer chance than previously for the influx of gold would be afforded.

At first some slight effect was apparently produced, and some supply though slight, of gold was obtained at the treasury But this became less and less, till of late it has almost died away It may be said in general terms that sovereigns and gold pieces are not, and for some time past have not been, presented at the treasury

Meanwhile sovereigns to a limited extent have been imported into India, and have commanded in the Indian markets prices higher than 10½ rupees, indeed, the average price since 1869 has been hardly less than 10½ rupees

During the same period the amount of gold imported into India has been less than during the four years previous to 1869, but since 1869 the amount of silver imported has been much less The general fact indeed has been that the condition of trade has been comparatively adverse to the importation of the precious metal, and the relative proportion of importation of gold to that of silver has been quite as great as, or greater than, ever

Again since 1869 the amount of silver coined in India has been much less than that coined during the four years previous to 1869 But the coinage of gold has been rather greater since 1869 than during the four previous years, and the proportion of gold to silver coinage, though still small, has been fully maintained. Indeed, it may be said to have slightly increased

The subjoined table will illustrate the foregoing remarks

Four years previous to Notification of November 1868

	Net imported into India.		Coined in India.	
	Gold.	Silver	Gold	Silver
	£	£	£	£
1865-66	5 724,476	18,669 174	17,605	14,507,019
1866-67	4,183,105	7,936 693	37 725	6 118 857
1867-68	4,607,320	6 157,989	21,534	4,313,285
1868-69	5,150,352	8 001,023	25 156	4,207,031
Four years subsequent to Notification of November 1868.				
1869 70	5,592,117	7 320,337	78,510	7 455,281
1870-71	2,282,123	941,937	3 994	1 606,751
1871 72	3,565,344	6,532,376	15 412	1,735,288
1872-73	2,543,363	715,143	31,795	3,980 751

Thus there has been some coinage of gold pieces even since 1869, and before that year this coinage was somewhat considerable, but at no time have these coins been in active circulation either among Europeans or Natives. For the most part they are obtainable with difficulty Their destination cannot be stated with precision, but it is well known that they are taken up by Natives for hoarding or for uses other than circulation and by Natives not only in British territory but also in Native States

Again it is seen that of the gold imported but a small portion is presented for coinage the greater portion is used by the Natives for purposes other than circulation.

On the whole, the present prospect of gold finding its way into the Indian treasury is not encouraging and the question naturally suggests itself as to whether the rate offered of 10¼ rupees for the sovereign and 10 for the 120 grains is really sufficient as representing the relative value of gold and silver

Some authorities have maintained that at this rate it is not sufficient; that gold has for some time been, and will continue to be, worth more than this rate, and the present facts seem to lead to the support of that view Other authorities, however, maintain that gold has not been in

former times, and will not be in the future, worth more than this rate, and it is to decide this question that I should desire to see a fresh Commission appointed.

Doubtless the relative valuation of gold and silver is a subject not admitting of absolute demonstration. Among the difficulties which beset the question there is this, that the relative value fluctuates slightly from time to time. Still, after consideration of all the circumstances, an approximate average valuation should be, and would be, ascertainable Necessarily the matter is one of opinion, and demands a very impartial inquiry, but after such an inquiry had been made, a trustworthy opinion could be formed. The problem may be difficult, but it must have been solved by every nation that has changed, or may be changing, its standard from silver to gold, and similarly it ought to be capable of solution by the British Government in India.

The question to be propounded for investigation by such a Commission would be this whether the present rating (Rs $10\frac{1}{4}$ and 10 for the sovereign and Indian gold piece respectively) is sufficient for the permanent relative valuation of gold and silver with a view to gold being declared sole legal tender, and if it be not sufficient, then how much higher should it be? Nobody probably would urge that the rate should be less So far there seems to be no doubt. The existing doubt merely relates to the question whether something more than the ten rupees and four annas, say ten rupees and six annas, or at the most ten rupees and eight annas should be taken The point is one which ought to be referred to persons of every special experience, and such a Commission could be appointed in India as would present a valuable opinion When such an opinion had been presented, I should desire to address the Secretary of State with a view to a further reference being made to experts in England The results would be collated of the experience gained in countries where a change from a silver to a gold standard has been recently made, or is being undertaken, as in Germany, Holland, France By these means I should expect that the Government would be able to arrive at a safe and sound conclusion It is equally important to avoid fixing too low or too high a relative value for the gold coins relatively to the silver, but as from the nature of the case a just determination must be arrived at, as an indispensable preliminary to our having a gold currency at all, I would endeavour to form a determination by the means above stated, and if we succeeded in reaching such a conclusion, I would act upon it

Accordingly, gold would be declared legal tender at the rating so determined.

But, in the first instance, gold could not be declared sole legal tender, and silver must for a time continue to be legal tender also, for this reason that there is not now, and probably may not be for some time, enough gold in India to suffice for the circulation of the country if gold were to be declared sole legal tender for every amount above a trifling sum.

Doubtless, if gold were to be sole legal tender, it would become an article of prime necessity and would within a moderate time be imported in the required quantity but in the meantime (it might not be for long) there would probably be an insufficiency of gold for the purposes of circulation.

The insufficiency, however, might not be so considerable as would at first sight appear to be the case For although we seldom see gold at the treasury we know that it must largely exist in the country Among the papers appended to my memorandum of the 19th June 1872 will be found a table showing the importation of gold within the last twenty years alone, and the net total (re-exports deducted from imports) amounts to 90 millions sterling If an antecedent period be taken, a still larger total would be brought out. Of the amount shown above, a portion must have been used up or wasted, and would not be available for coinage, but it is *reasonable to anticipate* that a considerable portion would be brought out and presented at the mint for coinage if this metal were declared legal tender

So also the balance in the value of the trade in merchandise is much in favor of India and is likely to continue to be so Already gold has a large part in the adjustment of this balance even when it can fulfil no function in respect to the circulating medium, and might have a still larger part if after reaching India it had an important circulating function to perform

On the whole, there ought not to be any excessive difficulty in obtaining gold if that metal were declared legal tender

Still, at the first it would be desirable to leave silver as legal tender equally with gold until gold should so establish its position that it might be declared sole legal tender With its natural superiority and with the equality of position as legal tender, it is to be expected that gold would ere long assert itself in supersession of silver and as soon as the country

should be assured of this by the actual position of the two metals, there would be no hesitation in declaring gold sole legal tender

If both gold and silver were for a time legal tender, then, inasmuch as their relative value will fluctuate slightly from time to time, payments would be made in one or the other, according to the circumstances of the time, consequently first the influx of one would predominate and then that of the other. It might be that at the outset silver would maintain its position For instance, at the present moment it might not be driven out by gold declared concurrently legal tender But sooner or later the revolving changes would turn in favor of gold, and the moment that such should prove to be decisively the case, gold would be declared sole legal tender for all save trifling sums, and silver would be demonetized

Of course we must be prepared for the objections usually raised against a "double or alternative standard" of gold and silver But these objections apply (and justly apply) only to the permanent maintenance of a double standard It can hardly be denied that if the change from a silver to a gold standard be *per se* necessary or very desirable, then the objections to a double standard must be endured for a season, in the confidence that ere long circumstances would afford the desired opportunity of terminating the double standard and making gold the single standard

Moreover, if at the outset silver were to hold its own, then for that time the fact of gold being also legal tender could do no harm, for it would be inoperative, and the double standard would not be practically felt by any one, as the only standard in use would be silver If, from subsequent circumstances gold should flow in, and if it became more advantageous to pay in gold than in silver, then the effect of the double standard would begin to be felt But that would be the very moment when the occasion would be taken to declare gold sole standard, and thus the effect of the double standard would pass away for ever

It would be impossible to predict in how short, or how long, a time this result would be accomplished There might be delay, but in that case no regret need be felt, because a change in the currency cannot be precipitated, but must come about in the due course of circumstances

On the other hand, no man can foresee how soon circumstances might arise to cause an influx of gold and to render it more convenient to pay in gold than in silver The event might even supervene suddenly. Then the Government could not avail itself of that opportunity to intro-

duce the legal standard gold currency, unless it had previously arranged, after full enquiry, the relative valuation of gold and silver Such arrangements must take time. When the event was already happening when the urgency was upon us, it would be probably too late to com mence arrangements for changing the currency The Government would be in a position of unreadiness and unpreparedness and perhaps the opportunity would be lost. Moreover, a time of pressure and urgency, when larger commercial events might be occurring, would hardly be a fitting time for arranging a change of currency Too much reliance might be placed on the transient facts and circumstances of that parti cular period and too little on the considerations which permanently affect the value of the precious metals. Such changes should, I submit, be thought over deliberately beforehand in times when there is no pressure, and then preparations would be judiciously completed against the day when pressure should arise. In this manner shall we be best able to make full use of the occasion which will in all probability arise ere long, though it may not at this moment be visible

Herein, then consists my answer to those authorities who perhaps deprecate any immediate steps being taken by Government, or who are in favor of delay because the matter does not press It is very true that at this moment no pressure is put upon the Government from any parti cular quarter But this circumstance so far from being a reason for not moving, seems to me to be the very reason why the Government ought to move. At the best some considerable time must be occupied in making the arrangements and settling the terms. Unless the Govern ment is ready beforehand it cannot introduce the change when the suit-able moment shall arrive Or, if when the moment has actually arrived (and perhaps it may come suddenly and unexpectedly), the Government were to take the case up then the settlement is not so likely to be correct and complete as it would have been had there been previous discussion and determination Now, therefore is the time for the adoption of preliminary measures.

RESOLUTION—By the Government of India, Financial Department, dated 7th May 1874.

The expediency of introducing a gold currency having been consider ed, the Governor General in Council is not at present prepared to take any step for the recognition of gold as a legal standard of value in India.

Extract from the evidence given by Sir James Cosmo Melvill *before the Select Committee of the House of Commons on Indian Territories*, 1853.

Sir J. C. Melvill's *evidence on a Gold Currency for India.*

Select Committee on Indian Territories. 14th July 1853

8283 *Chairman*] Will you explain to the Committee what were the grounds upon which the Government of India directed its receivers at the different treasuries not to receive gold coin in payment of the revenue?—The Government of India, after the establishment of the uniform currency, reserved to itself the right by proclamation to regulate the terms upon which gold was to be received at the public treasury

8284 That was in 1835?—It was Finding that gold was coming largely into their treasury, under the proclamation, and that they had no means of re-issuing it, it not being a legal tender, the Government exercised its right and withdrew the permission

8285 The permission was issued in 1841?—Yes

8286 The change, making gold not a legal tender occurred in 1835?—Yes

8287 Will you give your view to the Committee as to the practical inconvenience or advantage which would arise from making gold a legal tender in India?—Silver is the standard of India, and I think it better suited to the transactions of the people, so minute are they, than gold would be It is a matter of opinion, but I do not think myself that two standards could be maintained If gold became depreciated, it would be used to buy up silver, and I think great distress would result to the people if that were to occur I speak with diffidence on such a subject as this, but there are authorities on my side, and I have prepared a memorandum upon the subject, which, if the Committee please, I will deliver in

[*The same was delivered in and is as follows*]

Memorandum as to Gold Currency of India

It is believed that gold and silver were coined in India before the time of Akbar In Mr Marsden's collection, there is a silver coin of Altmash, one of the Delhi Kings, who died in 1235 Shir Shah (A. D. 1535) changed the name of tankha (the current coin at that time) to that of rupeia or rupee, which was adopted by Akbar on his accession in 1556 The first gold muhr* (vulgarly called mohur) recorded in history was struck by the latter prince in the year 1565 It contained about 172 grains of pure gold

* This word signifies "the impression of a seal"

Akbar fixed the weight and relative value of money on a scale which remained unaltered till the dissolution of the Mogul empire and is the basis of that now in use. His rupee contained 174 5 grains of pure silver, and was worth 1s. 11½d. of English money at that day, the shilling of Queen Elizabeth containing 88 8 grains of pure silver Akbar's standard, as above stated, continued almost unaltered all over the Mogul dominions until the breaking up of the empire, when numerous mints were established by the ministers and viceroys of the principal soubahs who had assumed independence, and the coin was gradually debased as the confusion and exigencies of the times increased The Mahratta and other Hindoo States also established mints of their own, retaining, for form sake, the Emperor's name and superscription, as a titular avowal of Delhi supremacy

Hence may be traced the differences which prevailed and still prevail in the currencies of India. The extent to which the irregularities of the mints had proceeded in the reign of Shah Alum, is thus described in the preamble of Regulation 35 of 1773 —

The principal districts in Bengal, Behar and Orissa had each a distinct silver currency consisting either of 19 sun Moorshedabadees, or old or counterfeit rupees of various years, coined previous or subsequent to the Company's administration. The only parties who benefited from such a state of things were the shroffs, and the East India Company endeavoured to remedy the evil in 1773 by declaring that all rupees coined for the future should bear the impression of the 19th year of Shah Alum and thus it happened that the sicca rupee was the only one of their coins which retained the full value of the original Delhi rupee.

Sir James Stewart in his work* on the coins of Bengal observes—

"The standard of the Bengal money has ever been silver" Gold has been occasionally coined, but the great bulk of the currency has been silver"

A coinage of gold mohurs (worth intrinsically 11¼ siccas or 13 34 current rupees, but declared to be equal to 14 siccas, or 16·24 current rupees) was established in Bengal by the consultation of Government held on the 2nd June 1766 and this was the first occasion on which a gold coin in Bengal had been put on the footing of money with a legal denomination with respect to silver coins. It was made a legal tender in all payments, whereas the gold coins which had previously been struck at Delhi had passed only conventionally, being left to find their value in the market. This coinage of gold in 1766 was professedly undertaken with the view of giving encouragement to the bringing of gold to the mint, and Sir J Stewart remarks as follows —

The Government of Bengal did not consider that every encouragement, as it was called, given to gold coins must occasion the melting down and exporting of the silver coin. The only encouragement it was possible to give to gold coins was to fix

* Published in 1772.

a denomination to the new gold coins above their due proportion to the silver currency, or in other words, to render the gold intrinsically worth less in payments than the silver currency, the consequence of which is to engage every one to pay in gold rather than silver"

The result which attended the gold coinage in question is thus recorded by Sir J Stewart —

"Nobody in Bengal would pay willingly in silver rupees after the issuing of this gold currency, and it was the greatest oppression to force them to it The people of that country (India) had been so long accustomed to silver coin, that they never would, except when forced to it, receive the mohurs in payment, so the Company was obliged to make a new regulation in 1769, little better than the former At last the gold currency fell altogether to many per cent. below its intrinsic value, according to the saying, *Dum vitant stulti, vitia in contraria currunt*"

The difficulty of keeping gold coin in circulation was so great, that in 1796 the Governor General (Sir John Shore) recommended the adoption of silver as a sole legal tender,—

"First, because it had ever been deemed the standard of India, and, secondly, because looking to the lower classes, to the price of labour, and of the necessaries of life, the smallest possible gold coin was unfit for general circulation, and the cultivator or manufacturer who received it, would be charged with a batta on the exchange or disbursement of it"

In reply to this recommendation, the Court of Directors stated that there appeared to them to be a necessity for a new coinage, both of silver and gold The views of the home authorities were not acted upon till 1819, when an approximation to uniformity of the coinages of the three presidencies was attempted, the gold mohur of Bengal, and the gold rupees (as they were called) of Madras and Bombay, being valued relatively to silver, in the same proportion of 1 to 15, and being declared legal tender in payments.

But the market value of the gold mohurs then coined was considerably in excess of their denominative value, they were consequently but little used for the ordinary purposes of currency

Gold, then, never obtained a very extensive currency, and had practically ceased to be legal tender in India for many years antecedent to 1835 By the resolution of the Government of India passing the Act No 17 of 1835, it was declared, that although the new law would not give to the gold mohur, and its sub-divisions, the character of legal tender, the Governor General would from time to time, fix (by proclamation) the rate at which they should be received and issued from public treasuries in lieu of silver The rate then fixed was that given in the Act as the denominative value of the mohur and its sub-divisions

Some doubt appears, however, to have existed between 1835 and 1841, whether the gold coins would be received at the Government treasuries. The

sub-treasurer at Calcutta hesitated to receive them. The proclamation of January 1841 authorising their free receipt in payment of Government demands at specified rates, was therefore issued, at the suggestion of the Mint Committee with the double object of clearing up the doubts upon the subject, and of giving a more free circulation to the gold coins. But it does not appear that the deliveries of gold bullion to the mint for coinage increased in consequence of the permission given by this proclamation, and the reason doubtless was that after adding the one per cent seigniorage for the coinage, no profit would have resulted from the exchange of gold for silver The case however is now entirely changed. The price of from 8*l.* 6*s.* to 8*l.* 10*s.* per oz., by which it is understood that gold has lately been purchased in Australia (although in itself no criterion of the ultimate fixed value of gold in relation to silver) affords, temporarily at least, a vast temptation to speculators to send it to India to obtain there silver in exchange, at the rates which were fixed by the Government at a time when the fresh discoveries of gold were not thought of. It was clearly the duty of the Government to take the measures which they have adopted, to save the State from loss on account of the operations of speculators.

The question, however of the propriety of giving to gold the character of legal tender to enable it to co-circulate with silver is quite distinct from that just noticed. The following remarks may help, by analogy, to elucidate this question.

Silver was the standard of value in *this country (England) till the year* 1774, although gold coins passed current at certain fixed rates, and were legal tender In 1774 it was declared by authority that silver coin should not be legal tender for sums above 25*l.* and in 1816 the present over rated silver currency was introduced, being legal tender only to the extent of 40*s* Practically however all large payments were made in gold subsequently to the year 1717 when the guinea was over valued by being declared equivalent to 21*s* The result of this measure was, that the new silver coins were exported and that none but worn and debased coins remained in circulation The silver was expelled by the gold, although for 57 years afterwards (from 1717 to 1774) silver was nominally a legal tender to any amount

Again, the financial history of France affords an instance of a similar character Previously to 1785 the Louis d'or was rated at 24 livres, when it was really worth 25 livres 10 sols By making payment in gold debtors would clearly have lost 1 livre 10 sol pieces on every 24 livres of liabilities The result was that gold payments were not made, and that gold (although a legal tender) was nearly banished from circulation. Silver alone became practically the currency of France.

Recently in the United States of America, gold has been declared the sole standard of value, and the dollar piece has been simultaneously depreciated in the same way as the silver currency of England, for the purpose of retaining it in circulation Otherwise it was foreseen that silver would altogether disappear

The Government of Belgium, foreseeing the inconvenience likely to result both to the people and the Government, have abandoned the double standard which existed there up to last year, and have declared silver to be the sole standard of value. In France, where the double standard is still maintained by law, it is surmised that a revolution in an opposite direction to that which occurred in 1785 will ere long take place, and that silver will be gradually expelled by the gold The recent enormous coinages of gold at the Mint of Paris justify this conviction

Upon questions affecting the currency, however, one cannot write or speak with too much diffidence, yet why should it be supposed that the effects described above as having resulted in other countries would not be produced in India if the double standard (silver and gold) were to be now introduced? The case of gold mohurs, to which it was attempted to give currency in 1766, at a higher than their natural value, as explained by Sir James Stewart, should be borne in mind as a case very much in point It cannot be questioned that the natural tendency of the recent vast discoveries of gold, or rather of the increased facilities with which gold is produced, will be to deteriorate its value This is the most probable effect, although at present there are no striking indications of it Hence it may be assumed that any exact relative value now fixed as between gold and silver would be liable, at no distant period, to considerable variation Supposing gold to be declared legal tender, all debts* will be discharged in it so soon as it becomes depreciated below its nominal value, and then silver will be exported for the purpose of buying gold. This will be the natural result so long as any undue irregularity of nominal value exists between the coins of the two metals, and the only remedy would be the inconvenient, expensive, and altogether objectionable one of changing either the size or denominative values of the coins from time to time

The effect, however, of a change from a silver to a gold standard in a rich country like England, where the transactions of the people are of a magnitude sufficiently great to maintain an extensive gold currency, differs materially from that which would result to the people of India. The monetary transactions of the latter are still (as they were during the Government of Sir John

* The position of the debtor and creditor classes generally, and specially of the Indian Government in relation to its debt, is deserving of serious consideration on this part of the subject

Shore) of the most minute description, requiring, for the most part, the lowest denominations of silver currency (the two and four anna pieces), and even lower than these (the copper pyce and half pyce pieces), the coin last mentioned (half-pyce) represent 1 128th of a rupee. It cannot be supposed that such a population could, to any extent, absorb a gold currency, if the value of gold should continue at any approximation to its present value, and unless (which the boldest man will scarcely affirm) the point has now been reached at which the relative values of gold and silver can safely be determined, it has been shown by the analogous cases of this country, France, and America, that the coin which is relatively the cheaper of the two will drive away the dearer

We arrive, then, at the conclusion, that practically two standards of value cannot co-exist and that although, in a wealthy country, comparatively little injury may result from the double standard, the effects in India would be most seriously felt by the masses of the population.

8288 You say that silver is the standard in India. Up to 1835 it was not the sole standard in India was it?—The Government certainly allowed gold to be coined upon certain terms and to be received at the public treasury, still I think, and I have so stated in that paper that silver was practically the standard. Sir James Stewart, who wrote upon the subject, and who was a great authority in bye-gone times upon these questions in India, declares positively that it was so, and he traces it back to the time of Akbar

8289 The proportion that was established of 15 to 1, would surely prevent under all present appearances, any practical inconvenience arising from the establishment of a double standard on that relative proportion, would not it?—It might, but if the proportions were so regulated as to give an undue value to gold over the silver, the effect would be not to make it a standard at all.

8290 Is not that the proportion in existence?—The Government of India reserved to themselves the power of regulating the proportion; that was the proportion that was fixed.

8291 Under that proportion, do you anticipate that gold would come into India and buy up silver?—It was coming in very rapidly from Australia when the Government issued its proclamation

8292 Are you aware what the price of gold then was in Australia?—I am.

8293 What was it?—Less than 3*l* an ounce

8294. Are you aware what the price is by the last advices?—£3-17.

8295 Though there may be for a time a low price on the introduction of gold, would not the price be regulated by the price in this country, and may we not therefore suppose that that low price in India could not be a permanently low price?—There must be constant fluctuations in the absolute and relative value of the metals, and whenever the one becomes depreciated, it must, I think, have the effect of displacing the other

8296. The effect which you might apprehend, when the price of gold in Australia was 60*s.* an ounce, would not occur when it was 77*s.*, would it?—No. The Committee will observe that the Government had no power to re-issue the gold. Gold had ceased to be a legal tender, and under such circumstances the Government would have had no alternative but to send it home in bulk to England, or sell it in the market

8297. In a country where, as you say, it is very difficult to transport money, or make remittances from one place to another, would not it be desirable to make a legal tender of the more precious and more easily portable metal?—There would be a convenience in it in that respect, but I do not think it would countervail the risk of injury to the people

8298 In what way would the injury be occasioned?—I think that gold might become depreciated, and might be used for the purpose of abstracting silver, and silver is the metal which is most suited to the transactions of the people

8299. *Sir C. Wood*] Would gold be as available for the ordinary payments which the Government has to make as silver?—If the Government declared it to be a legal tender

8300 *Chairman*] For remittance to this country gold would be preferable, if resort must be had to a remittance in specie?—Yes, and there can be no doubt that the exchanges are more easily adjusted between two countries having the same standard than between countries having different standards

8301 The whole question depends upon the proportion established between the two precious metals, does not it?—It does, but there would be an inconvenience in changing that proportion frequently.

8302. *Sir C. Wood*] Would gold be as available for the payment of the troops as silver?—I think not, the native soldiery could not be paid in gold.

8303 *Chairman*] An objection has been made to the establishment of gold as a legal tender, that it would be unfair towards the recipients of the dividends on the debt, with respect to the debt created previous to 1835, that objection could not be made, could it?—I think not, because gold was receivable at the public treasury when those loans were negotiated.

8304 *Sir T H Maddock*] Did the Governor General put on record any minute explanatory of his reasons for the proclamation to which you have referred?—I think not.

8305 Did he explain his reasons in any despatch?—There was a despatch from the Government to the Court, and a despatch from the Court in answer approving of what the Government had done

8306 Can those documents be produced in evidence?—They can, if the Committee are pleased to call for them

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TO PAPERS RELATING TO THE INTRODUCTION OF A GOLD CURRENCY INTO INDIA

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making it, as far as possible, subservient to the requirements and convenience of the public with a view to the introduction of a larger reform *

17 Thus it might be expedient—

1stly,—To separate the Office of Currency Commissioner of a Presidency from the Mastership of the Mint,—*vide* evidence of Colonel Hyde Currency Commissioner and Master of the Mint at Calcutta

2ndly —To enjoin the extension of facilities for the encashment of all notes at all Treasuries up to a given small amount, say Rs. 200,

3rdly,—To permit Treasuries a larger discretion where this may be done without much chance of loss

4thly —To establish Offices of Sub-Issue at such places as may be approved of by Local Governments and Administrations for the purpose

5thly,—To advise Accountants General not to exhibit too great a jealousy of remittances in notes,—*vide* the Memorandum of the Lieutenant-Governor of Bengal on this subject.†

18 It is observed that there is a preponderance of opinion in favor of what is called the "universal note" if readily convertible

19 The condition, however, of ready convertibility is the very difficulty with which the Government would have to cope,—

I —In meeting excessive demands on local Treasuries

II —In arranging for the supply of tehseels with coin

III —In warding off a damaging run for coin on a great centre of issue, of which we have already had experience in Bombay; and

IV —In submitting to loss in consequence of the notes being largely used for remittance, or, in other words, being

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* See a Note from the Commissioner of Cooch Behar dated 22nd February 1864; also communications from Mr Temple Chief Commissioner Central Provinces, conveyed in letters from his Secretary; also a letter from Mr Probyn, Accountant General of the Punjab, dated 23rd June 1863.

† Many excellent suggestions with regard to the affording of facilities for encashment may be found among the answers of Collectors and Officers in charge of Treasuries.

made a medium of exchange when a local market might be unfavorable for the purchase of ordinary bills or hoondees.

20. It is obvious that before such a change could be recommended, *viz*, the introduction of the "universal note," a more detailed study of the subject is required than can be given it by the Commission. They would therefore content themselves with the remark that the project, though undoubtedly most difficult of execution, should by no means be dismissed summarily, but should receive the attention due to a very wide-spread opinion which rests, besides, on good authority, that in it alone can be found the means of giving reality to a Government Paper Currency in India *

21. The discussion which might be thus originated in the Financial Department would naturally comprehend the best available means of agency for *circulation* as distinguished from *the right of issue*, including the employment of the Banks, which has been discarded in accordance with the orders of the Secretary of State.—*Vide* Secretary of State's Financial Despatches, 26th March 1860, No 47, and 16th September 1862, No 158.

22. With respect to the issue of a 5-rupee note, the number of opinions is slightly in favor of it.

23. The preponderance of argument would, however, seem to be against such an issue, in which view the majority of the Commission concur. Attention is particularly invited to the arguments and opinions of Baboo Ramgopal Ghose on this point

24 With respect to the introduction of gold, the following points seem to be generally and firmly established —

1*stly*,—That gold coins of various descriptions of mohurs and sovereigns—English and Australian—although not used as money by the State, are generally at par or above par in price, whether in the Presidency Towns or in the cities of the Mofussil,

* *Vide* more especially the arguments of Mr Temple in favour of the measure, also the answers of the Collector of North Canara, also the Report of the Board of Revenue, North-Western Provinces, also the opinions of the Lieutenant Governor, North-Western Provinces, conveyed in a letter from the Secretary to Government, North-Western Provinces; also the opinion of Captain Taylor, late Superintendent of Coorg, also the opinions of the Commissioner of Mysore, also the opinions of the Commissioner in Sind, also the opinions of the Dewan of Cochin State, also Note by Honorable G. N Taylor.